

The National Underwriter

TWENTY-NINTH YEAR No. 42-A
EXTRA EDITION 25 Cents a Copy

CHICAGO, CINCINNATI AND NEW YORK, FRIDAY, OCTOBER 16, 1925

Office of Publication, 175 West Jackson Boulevard, Chicago, Illinois

AMERICAN LIFE
CONVENTION NUMBER

Arnold New Head of Life Convention

Columbus Man Elected President at Louisville Meeting;
Headquarters Moved to St. Louis as Blackburn Resigns

New Head Strong Man

Convention Headquarters
Brown Hotel
Louisville, Ky., Oct. 16

THE election of H. B. Arnold, president of the Midland Mutual Life of Columbus, O., as president of the American Life Convention, brings to that office a substantial and high grade man. Mr. Arnold was elected on the executive committee a year ago. He has been active in the Legal Section which he served first as secretary and then as chairman. He was then counsel of his company. He came in contact with executives of other companies and impressed all with his intelligence and good judgment.

Later Mr. Arnold was chosen vice-president of the Midland Mutual and as such became more interested in the general executive work. Some months ago Dr. W. O. Thompson retired as president and Mr. Arnold succeeded him.

Gives All His Time to Insurance Work

Up to that time Mr. Arnold had devoted much attention to private law practice which was extensive and lucrative. He was much interested in the Midland. Pressure was brought on him to have him take the presidency. It meant financial sacrifice but he accepted the position. That step means a larger, more aggressive and greater organization. Already Mr. Arnold's personality has been impressed on the office and field.

He has fine administrative attributes. The work of the Convention will be well in hand under his guidance. Mr. Arnold is the first president of the American Life Convention that Ohio has contributed.

Four Nominees for Executive Committee

L. J. Dougherty of the Guaranty Life nominated H. B. Arnold of the Midland Mutual for president. He was elected by acclamation. C. F. Coffin of the State Life and President Hamilton of the Federal Life escorted the new president to the platform. C. L. Ayres of the American Life paid a tribute to the retiring president, George Graham, and offered a vote of thanks. Mr. Coffin offered the resolution to elect George Graham as a member of the executive committee. George Kuhns of the Bankers Life of Iowa put in nomination for member of the executive committee President C. B. Robbins of the Cedar Rapids Life. President Isaac Miller Hamilton of the Federal Life nominated President O. J. Arnold of the Northwestern National Life. E. S. Chadwick

NEW OFFICERS ELECTED

PRESIDENT

H. B. Arnold, Midland Mutual Life

SECRETARY-TREASURER

Thomas W. Blackburn, Omaha

EXECUTIVE COMMITTEE

New Members—George Graham, Central States Life; H. M. Woollen, American Central Life; O. J. Arnold, Northwestern National Life.

Hold-over Members—J. B. Reynolds, Kansas City Life; Isaac Miller Hamilton, Federal Life; E. S. Chadwick, Idaho State Life; H. B. Arnold, Midland Mutual.

Place for next meeting—Detroit.

of the Idaho State Life presented C. W. Gold, treasurer of the Jefferson Standard Life. C. S. Samuel of the Oregon Life spoke for Mr. Arnold. President R. W. Stevens of the Illinois Life paid a most feeling tribute to his long time associate, O. J. Arnold, which was most impressive. C. F. Coffin nominated President H. M. Woollen of the American Central for member of the executive committee. This made four nominees to succeed G. A. Deitch of the Reserve Loan and L. J. Dougherty of the Guaranty Life. Dr. E. G. Simmons of the Pan-American spoke also for Mr. Woollen. E. C. Milair of the George Washington Life sup-

ported Mr. Gold. L. J. Dougherty of the Guaranty Life championed the candidacy of Judge Robbins.

Charles G. Taylor, Jr., of the Life Presidents Association spoke during the time the tellers were counting the ballots. The tellers were E. B. Raub, Indianapolis Life; Louis St. John Thomas, Shenandoah Life; W. T. Grant, Business Men's Assurance, and E. C. Milair, George Washington Life. Charles W. Helser of San Francisco was called on to speak. H. F. Tyrrell of the Northwestern Mutual injected a note of merriment into the proceedings. O. J.

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Regret Blackburn's Loss

Convention Headquarters,
Brown Hotel,
Louisville, Ky., Oct. 16.

THIS meeting of the American Life Convention is epochal in that the announcement was made that Thomas W. Blackburn, secretary-treasurer and counsel, the mainstay of the organization in its executive work, will retire. Again, with the retirement of Mr. Blackburn, the executive committee decided that the headquarters should be moved to some more central city than Omaha. Chicago and St. Louis were recommended as the most available cities. The merits of each from the standpoint of convenience to members, mail and railroad facilities, operating cost and so on were presented in a printed report of the committee. It made no recommendation as to preference but left the subject to the members in executive session to decide.

After some heated arguments St. Louis won for permanent headquarters by vote of 54 to 32. The Iowa, Nebraska, southwestern and outlying companies evidently feared the metropolitan influence. After roll call, the Chicago delegates voted to make the vote unanimous.

Inasmuch as Mr. Blackburn resides at Omaha, there has been no disposition to make a change so long as he was in the saddle. It has been the opinion of members that a more central city would be more satisfactory in many ways.

Will Look for Successor to Secretary Blackburn

The new executive committee will have the big job of securing Mr. Blackburn's successor. It is the plan to have Mr. Blackburn serve until the next annual meeting. That may close his official duties, but he will doubtless continue through 1927 in an advisory capacity. During the next three or four months the committee will canvass the situation and employ a man who will have some months' training under Mr. Blackburn. Already the committee has six or seven names under consideration. Some are men who are now holding public office or have been prominent in that sphere. Others are officially connected with large business or insurance organizations.

Much Regret Over the Impending Change

With Mr. Blackburn's retirement there will be a reorganization of the executive staff. When President George Graham in his address announced Mr. Blackburn's wishes, there was a feeling of depression stole over the audience because it meant the severance of very



H. B. ARNOLD
President Midland Mutual Life
New President of Convention



GEORGE GRAHAM
Vice-President Central States Life
Retiring President of Convention

close ties. It will mark a new day in the organization.

Mr. Blackburn desires to take a long vacation and then spend his time in literary pursuits, largely in writing the history of life insurance during the last 20 years, a period with which he has been so intimately identified.

Is Outstanding Character in Life Insurance

It is no exaggeration to say that Mr. Blackburn is one of the outstanding characters in life insurance. He has been in his present position since the organization was started. He has literally fought, bled and died for it. He stood courageously for the rights of the younger and smaller companies. He brought out the artillery for the preliminary term method when the ramparts were attacked from the east. He aligned himself with those American Life Convention leaders of the early days and they fought side by side.

When the eastern and older companies saw the futility of combating the preliminary term system, when these same companies appreciated the political influence and growing power of the newer institutions, Mr. Blackburn was



T. W. BLACKBURN
Secretary American Life Convention

fervent in causing the lion and lamb to seek the same fold. He has done much to establish friendly relations.

Blackburn Well Known to Life Fraternity

Mr. Blackburn is one of the best known life insurance men. He attends the various conventions. He has been in the legislative battles. He has participated in many movements along cooperative lines. He knows intimately the home office heads. He has visited all American Life Convention companies' offices except two. These officials have regarded him as a warm friend and business mentor. It is these personal relationships that have made Mr. Blackburn a tower of strength. These company officials have a warm spot in their hearts for him.

Mr. Blackburn has a rich vein of sentiment in his nature. For example, in reading his report at this meeting, he broke down when he referred to the efficient and faithful work of his assistant, Mrs. L. F. Beymer. It was at this point Mr. Blackburn appreciated the forthcoming rupture of his relationships. In his happy tribute to the worth of President George Graham, Mr. Blackburn again had to hesitate because of the welling up of sentiment that affected his physical speech.

Francis Valentine Keesling

Vice-President and General Counsel F. V. Keesling of the West Coast Life was born on Valentine's Day. Hence the significance of his middle name. He is a regular attendant at the meetings of the American Life Convention.

Welcome Address by Chief of Police Brings Offers of Jobs

COL. Forrest Braden, Louisville Chief of Police, who made such a big hit in his welcome address, was offered agency positions with seven companies before the meeting reconvened Wednesday afternoon. Several companies made direct offers for him to become agency manager. Col. Braden said in his address:

"I don't know why a policeman was asked to talk to this body, unless someone conceived the idea that because you people represent a business so closely regulated by law that it would be fitting to have you greeted by the chief regulator of this community. At any rate, it's a 'grand and glorious feeling,' this opportunity to stand before a lot of life insurance men and do all the talking. I was told to take six minutes. I'm in the habit of issuing the stop and go orders myself in this town and I'll stop when I've finished.

Office Holder Not Seeking Reappointment

"You may not know it, but you are gazing upon a most remarkable person. You see before you an officeholder who is not an applicant for reappointment. Isn't that a rare sight? I think right here is a good place to do a little advertising. I'm 47; 6 feet; 215 pounds; blood pressure 127. Say, the last doctor who took my blood pressure was a regular crab. He wrapped that inner tube around my arm, hung his speedometer on it, speeded the thing up, then kicked the clutch out and watched it die down. The result did not seem to satisfy him and he did it over again. Then he said, 'That's right, 127. That's a little low for you, Colonel, at your age.' I told him I was sorry to hear that, but that some of my friends were troubled with high blood pressure and that probably I could cultivate some of their habits and increase mine. He promptly said, 'Why, you old fool, you let well enough alone.' Now can you beat that? When I offer to correct a condition he criticizes he hawls me out. Let's see, where was I? Oh, yes, talking about myself, of course.

Chief Is Married In Old Fashioned Way

"I'm married, in a sort of old fashioned way; I've got the same wife I started out with 23 years ago. I have two boys; smoke a pipe, play a rotten game of golf and have a common school education—very common. Here's the point: If any of you want a big, husky ex-cop for a watchman at the home office I'll be looking for a job after the coming election. I'll wager that I just broke a record. I'll bet I'm the first person ever to make application for a job with 136 insurance companies all at once.

"Notice how familiarly I refer to blood pressure and home offices? That's because I used to live in Indianapolis, and just living in Indianapolis at the time I lived there was an insurance education in itself. I lived there—let's see—you know how old timers will fix a date by referring to the 'year of the big wind' or the 'year of the big snow?' Well, I lived in Indianapolis back in the days just following the Armstrong investigation, when the setting sun ne'er marked the close of a day that had not produced two or three new life companies. Honestly, they were so thick there was not enough space for them in the office buildings.

Home Offices Get Out in Suburbs

"They had home offices scattered around in residences. But mind ye this: If it had not been for all those life companies fathered in Indiana we'd never heard of the International and many other great reinsurance companies. They adopted most of those Indiana orphans. Or kidnapped them. Speaking of kidnapped insurance orphans, I've often

wondered how many such orphans have been kidnapped with the connivance of their legal guardians. That would be a bum joke to spring at a commissioners' convention, wouldn't it?

"That was back in the days when the special contract policies were causing insurance commissioners to enlarge their vocabularies. Back when incorporated agency promoters could out-figure a city man who is planning to go into the chicken raising business. You could give one of those fellows a pad of paper, a pencil and a renewal contract and in fifteen minutes he could wreck the multiplication table. When it came to figuring profits, one of those fellows could make a Florida real estate agent look like a piker. There goes that darned Florida stuff. Everybody's doing it. The other day Will Rogers said he couldn't see this Florida excitement. He said all they're doing down there is buying land with money, then selling it again, back and forth, money for land, land for money; that's all, and when it's all over the Gentiles will have all the land.

No Chance for the Inland Citizens

"One of your officials suggested that because you are such a giddy young lot I had better warn you as to your behavior here. I had better advise you men from the coast and border cities that no smuggled goods gets this far inland. You may know the reason. You may be the reason. There are plenty of foreign labels reach here, but they are a delusion. We enforce all laws in Louisville. We work here on the theory that an officer of the law has no more right to choose which laws he shall enforce than has a criminal to choose which laws he shall obey. By the way, I attended a police conference in New York last May, and in a timid and gentle manner I advanced the principle of law enforcement and it had a most remarkable effect. That police conference, with 46 nations represented, had been in session a week and had not been mentioned on the front page of a New York newspaper, but when I very gently suggested that an officer of the law should endeavor to enforce all laws honestly and impartially, the convention popped out on the front page of every paper in the city. Just the suggestion of honest and impartial law enforcement seemed to be most startling—in New York. Because of the Louisville attitude on law enforcement, the class of desperadoes who sell booze here will sell anything, and it's all poison. Let it alone, no matter how high the price. One of your members told me yesterday that when you take a drink of bootleg in New Orleans the police close their eyes. I'm informing you that when you take a drink of bootleg in Louisville, you close your eyes.

Hospitable Homes Make a Fraternity

"Please don't misunderstand me. I have no desire to be a killjoy. We are a hospitable people, and this is professional information and advice given in the friendliest spirit. In Louisville there are many hospitable homes and I hope the owners of these homes organize themselves into a fraternal society and elect you to membership. That's legal. But don't get together and make up a jackpot to buy—or rather, don't form yourselves into an assessment association to do business here. An assessment association for that purpose here will need a reserve—a medical reserve. It will also need group insurance with a disability clause. We liquidate such concerns here with a stomach pump. And save a few.

"This may sound like an actuarial puzzle, but the man who lapses here acquires a waiver—not a premium waiver—but a sort of mental and physical waiver. This waiver will interfere with his step

rate policy and then my accident and health department will have to go out and attach another rider and transfer him to a select and ultimate reserve spot set aside for such risks. It's a mean reserve spot too. I notice a lot of gray heads here and I wish to state that this waiver applies to all persons over sixty also. Maybe more so.

Ratio of Expense to Amount of Loading

"An analysis of the ratio of expense to the kind of loading I am talking about is nothing compared to the mortality experience. The ratio of actual to expected mortality looks like someone had turned the experience tables upside down. Such lapses, such loading, such mortality experience never show a gain—always a loss. Wouldn't that make a rotten looking report? Especially if the report got back home. Always a loss—usually a 30 day loss. You know, a 30 day term. And that's full, not modified term. A sort of 30 days of disgrace. And payment commences immediately upon proof of disability. I fear I am getting rather technical, but if you have followed me closely I think each of you can figure his own expectancy—in



W. T. GRANT
President Business Men's Assurance

Louisville, and that each will realize that, paradoxical though it sounds, our mutual interest lies in your adopting a non-participating policy here.

Fine Tribute Paid To Life Insurance

"Seriously, we are mighty proud to have you as our guests. You represent the biggest and the finest business in the world. You are the bishops and the presiding elders of the ministry of what someone so happily termed the gospel of foresight and thoughtfulness, the gospel of business and home conservation, the gospel of thrift and love. You have every right to hold your heads high. More power to you.

"I think my contract has about expired. If not, it contains a cancellation clause and I'm going to exercise it."

Dinner Was Given by the Commonwealth Life

The Commonwealth Life of Louisville gave a dinner Tuesday evening at the Louisville Country Club. It was primarily in honor of the Legal Section but many of their guests were entertained. I. Smith Homans of the company was in charge. It was a delightful occasion in every way. Vaudeville stunts were provided. Attorney E. M. Grossman of the Central States Life led the congregational singing.

Crawford H. Ellis, president of the Pan-American Life, host par excellence at the New Orleans convention last year, was present at Louisville.

Legal Section Holds Annual Meeting

NEW OFFICERS ELECTED

Chairman—W. S. Ayres, Bankers Life of Iowa.
Secretary—A. D. Christian, Atlantic Life of Richmond, Va.

THE Legal Section took Monday and Tuesday for its meeting. Eugene J. McGivney of the Pan American Life acted as chairman and W. S. Ayres of the Bankers Life of Iowa, secretary. The old timers were on hand with some newcomers getting their bearings for the first time.

The death of Maj. C. A. Atkinson, vice-president of the Federal Life, one of the founders of the Legal Section, was announced at the beginning of the first session. He was known affectionately as the "Father of the Legal Section." The death of Judge H. W. Johnson, president of the Central Life of Chicago, and Frank A. Helmar, general counsel of the Great Northern Life of Chicago, both members of the body, were also noticed. Committees were appointed to prepare suitable resolutions. All stood in silence for a minute out of respect to their memory.

King Gives Chief Decisions of the Year

William Ross King of Omaha, editor of the "Legal Bulletin," gave, as customary, a review of the chief decisions of the year affecting life insurance. Mr. King has served in this capacity for the last few years. He is in close touch with the situation because of his work. He is always intelligent in his comment.

James V. Oxtoby, general counsel of the Michigan Mutual, read a paper on "Recent Decisions on Accidental Means."

J. C. Jones of the American National of St. Louis declared that with the use of the double indemnity clause, the life companies are in the accident business. How extensively they are, Mr. Jones did not state. He declared that the insurance attorneys must give it more attention. He called attention to the law in Utah where the Utah Supreme Court holds that after one year, suicide is an accident, when the incontestable clause is not in effect. This was the case of Carter vs. Standard Accident. After the first year, a company can not use suicide as a defense. Colorado has a similar law. The Eighth Circuit Court of Appeals gave a decision similar to that of the Utah Supreme Court. Deliberate suicide in such states is held to be an accident.

Mr. Jones congratulated the fraternity on the reversal of judicial construction of Missouri law on suicide. In Missouri it had always been held that when one was sane, suicide was an accident. There had been many battles over this issue. In a case in which Mr. Jones was counsel, the Missouri court reversed this rule so the future cases will not be handicapped.

W. Calvin Wells of the Lamar Life gave high praise to the book written by M. P. Cornelius of the Continental Casualty on "Accidental Means," which he characterized as supreme and conclusive up to 1916 on the subject.

Chairman McGivney appointed the following memorial committees:

On Major Atkinson—J. C. Jones, D. W. Simms and W. Calvin Wells.

On Judge Johnson—W. H. Hinebaugh, E. M. Grossman, F. V. Keesling.

On Mr. Helmar—C. R. Holton, W. M. Allen and H. H. Orr.

C. Petrus Peterson, general counsel of the Bankers Life of Lincoln, Neb., gave his paper Monday afternoon on "Limitations on Administrative Discretion."

C. B. Welliver of the American Central Life discussed the paper. He said that inasmuch as the legislatures can not be in session all the time, power is delegated to boards and commissions. In Indiana the legislature delegated its power to fix the tax rate. California decided against such power as being unconstitutional. Mr. Welliver declared there should be discrimination between what could and could not be delegated. This should be done with certainty and clearness.

Individual Cases and Not General Issues

Mr. Welliver stated boards are prone to decide individual cases instead of promulgating general rules. There is always a tendency toward being arbitrary in the use of power. It is dangerous where there is no right of appeal. Mr. Welliver said he always asked for the privilege of taking up issues with the law officer when he had a question up with a board as he could deal with it more intelligently because of his legal knowledge.

Col. D. W. Simms of the Lafayette Life said that sovereignty rests with the people. A limit is therefore laid on sovereignty. The Declaration of Independence changed power from the King to the majority. The United States government divided its power to three departments—executive, legislative and judicial. These should in no way encroach on one another. In the original writ, no power could be delegated to another agency. This course has, however, been departed from. The main difficulty is where both legislative and

judicial power is delegated. Boards more and more are assuming judicial authority. The limits placed on them by the state and federal constitutions are forgotten.

Col. Simms held that where power is delegated to these quasi courts, there should be a provision for direct appeal to a court of record. He said that precedent is worshipped and many are established by these commissions. "Our safety," concluded the speaker, "is to find out what are the bed rock principles of the federal constitution and insist that they be strictly followed."

Paper Was Read by General Counsel Allen

Walter M. Allen, general counsel of the Franklin Life, read his paper Monday afternoon on "Finding of Facts—Appellate Review—Jury Trial."

A. D. Christian, general counsel of the Atlantic Life, said that he had seen no difference in Virginia since the legislature passed a law allowing directed verdicts. There are no better trials. Judges, he thinks, find it difficult to differentiate between questions of fact and questions of law.

H. W. Batson of the Commonwealth Life was on the program for discussing the paper but was ill. He indited some comment which his partner, J. W. Welch, read. He said a judge should not only share responsibility of setting aside unrighteous verdicts but should assume it. Lawyers are apt to worship the jury system and hence it is difficult to bring about improvement. Laymen have little regard for state juries but do esteem federal judges. Federal judges have more power than state judges. The latter can not comment on fact but must confine themselves to the law.

J. C. Jones, Sr., said that in a federal court a jury can be waived. If a case is so tried it is almost impossible to get a review by the higher court on account of the strict rules. He advocated using the jury in the federal court because of the limitations placed on the review of the evidence where there was no jury. He called attention to the case Meunchner vs. Life & Trust Co. in the Seventh Circuit Court of Appeals where the court construed the statute in a case at law tried before a judge to give to the reviewing court the power to review the entire record and decide questions on

fact as well as law. Mr. Welliver said this decision had been repealed by the United States Supreme Court.

Leroy A. Lincoln, general attorney of the Metropolitan Life, read his paper Tuesday on the Kansas notice law as applicable to pre-existing contracts. He called attention to the fact that the constitutionality of such policies would be contested in the courts. Attorney F. G. Dunham of the Life Presidents Association has prepared a brief on the subject. Attorney Robert Stone of Topeka, former chairman of the Legal Section, has been retained in the case. Mr. Stone sent a letter which was read by F. V. Keesling of the West Coast Life, stating that mandamus suit will be brought by one of the Kansas companies against the Kansas insurance superintendent. It will go direct to the state supreme court. Mr. Dunham's arguments were included in Mr. Stone's letter.

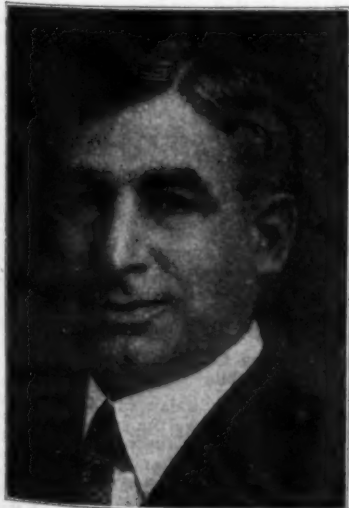
Aetna Life Case Cited by Attorney McAllister

W. F. McAllister of the Kansas City Life spoke of the United States Supreme Court decision in Aetna Life vs. Duncan. A Tennessee policyholder had a convertible policy which could be changed under specific terms. He moved to Texas and the policy was converted there. As the company is not in Texas, the authorities sought to have the 12 percent penalty and payment of attorneys' fees apply. The question was whether the laws of Texas or Tennessee applied. The court held that the terms were fixed when the first policy was issued in Tennessee and hence the Texas law did not apply. The second policy followed the first.

Mr. McAllister said that if the Kansas statutes become part of the contract, they would follow the policyholder wherever he went. If a Missouri policyholder moves to Kansas under the present law the Kansas notice law would apply to him because the statute governs policies in the hands of resident policyholders. If a Kansas policyholder moves to Missouri, the Kansas notice law would not govern as to him. Mr. McAllister said the Kansas 1925 notice law should apply to pre-existing policies.

Attorney William Marshall Bullitt of Louisville, who had prepared a paper on "Legibility of Photographic Copy of the Application," was called to New York. The paper was read by F. G. Dunham of the Presidents Association.

Judge W. S. Ayres, the newly elected chairman, and A. D. Christian of the Atlantic Life, the new secretary, were installed in office.



W. S. AYRES, Des Moines
General Counsel Bankers Life
New Chairman Legal Section



E. J. MCGIVNEY, New Orleans
General Counsel Pan-American
Retiring Chairman Legal Section



E. M. GROSSMAN, St. Louis
Presiding Officer at Legal Section's Round
Table Discussion



J. C. JONES, SR., St. Louis
General Counsel American National
Assurance

President's Address Forecasts Growth

BY GEORGE GRAHAM
President American Life Convention

WHEN we attempt to define life insurance in terms of figures we enter a realm of vast domain. At the present time there are no less than 297 legal reserve life insurance companies in the United States with a total insurance of \$65,000,000,000. This represents only a fraction of the present life insurance needs of the people without considering the inevitable growth of the future which is just as certain as is the increase of population itself.

The purpose I have in mentioning these figures is not to idealize mere bigness but to emphasize to ourselves the importance of our responsibilities and the extent of our opportunities. The funds which the companies are continuously gathering up in small deposits from the four corners of the land, after meeting policy claims and management expenses, have to be invested safely and remuneratively in anticipation of the future liabilities assumed. They are trust funds in the highest sense of that term and as such the legislatures have wisely ordained that only the most

behalf of the common good. Those who have accomplished most are fortunate that their opportunities for service were greatest. The Convention, now holding its twentieth annual meeting, has behind it a record of service of which we have every right to feel proud, but pride of accomplishment, pardonable as it may be, must not occupy our minds to the exclusion of the responsibilities we owe to carry on in a manner worthy of the record of past achievement.

It is in no sense derogatory of what has been done in the past if we lay our plans for the future for a program of broader scope and even larger influence. In fact, anything less will fail to do full justice to the breadth of vision and sincerity of purpose of those early builders. It will be no light task but I am persuaded that an equal amount of intelligent effort added to what has already been contributed should yield proportionately greater results, if for no other reason than that each year our accumulated efforts are pyramided for our permanent benefit.

What I would suggest involves no

premium rates that are guaranteed and cannot be increased. These existing contracts must not be made to bear anything more in taxation.

In Great Britain the taxpayer is allowed, within certain limitations, up to one-sixth of his income, paid out in life insurance premiums, as an exemption from income tax.

This Convention could with the co-operation of other life insurance organizations do most effective work in educating the legislatures of all states where an income tax is payable, and in Washington particularly, as to the righteousness of a plea, that could be made through proper agencies, that the individual be allowed to deduct life insurance premiums to a reasonable extent in figuring income tax.

In the matter of the federal income tax imposed on life insurance companies we find that not all of our members are wholly satisfied with the present law, yet it will be generally admitted that it has advantages over the confusion and uncertainties of the past. It has some imperfections. It calls for the payment

sible when facts are substituted for impressions.

Investigations Often Point to Remedies

Individual companies can and do investigate many phases of the problems of our business as these concern the individual company. Many times the results of a company's investigation of one of its own problems clearly point to the remedy but it is not applied, perhaps because the procedure would involve too drastic a departure from accepted precedent. Here I believe there lie further fields for concerted action preceded by general investigation conducted by such an organization as ours. Authoritative findings would point the way clearly to better conditions and everybody's hands would be strengthened in our efforts for improvement.

In the rush and turmoil of present day living conditions there is waste of human life, needless waste that intelligent effort is already doing much to avoid. Local civic organizations are studying traffic



HERBERT M. WOOLLEN
President American Central Life

stable forms of investment shall be considered for their safekeeping.

Reserves and Resources Continually at Work

It is self-evident that with \$10,500,000,000 of resources the life insurance companies are contributing enormously to the social and industrial well-being of the country. Purchase and improvement of farms are financed, the construction of great public and commercial buildings and modest homes are made more easily possible because of the funds accumulated by life insurance companies. Transportation, public utilities, schools, roads and state and civic developments have all been helped by life insurance funds. Reserves of life insurance companies are not idle funds but every day and everywhere they are at work performing their dual service of providing protection and contributing to the financial and industrial growth of the country.

Every city which can boast a legal reserve life insurance company is benefited in a very real way by such enterprise. These passing observations describe only the self-evident to life insurance men. They are only important as they suggest to the layman something of the service that life insurance companies render to the whole community apart from the specific thing for which they are organized.

The sum total of the useful accomplishments of the Convention is nothing more and nothing less than the combined totals of our individual efforts on

In his opening remarks, President Graham emphasized the vast organization which life insurance has become in order to point out to the members of the Convention that their duties and opportunities for service have grown apace with the institution of insurance. President Graham did not hesitate to criticize where he thought it necessary but in the main his address was a full justification of the work of the Convention during the last year. He forecasts a future growth far surpassing that of previous periods and urged the Convention members to cooperate with each other and with organizations having mutual interests, in order that the cooperative and cumulative effect of their work might bring home to the public a greater realization of the service rendered by life insurance.

new program, no added declarations of our purpose, no new expressions defining our attitude to the problems of life insurance. I merely seek to visualize something of the ever-growing opportunities that the onward progress of our business surely will afford.

In matters legislative, we are quite thoroughly organized, thanks in very large measure to the services rendered by the vice-presidents of the various states working with the others of our local members in conjunction with Mr. Blackburn.

The added respect which life insurance has gained for itself during the past decade in the public regard is, I believe, favorably reflected in the wholesome attitude of the legislators themselves. We have every reason to be satisfied with the legislative situation and to recognize gratefully the effective work of the National Convention of Insurance Commissioners and the individual supervising state officials in helping to bring about this happy condition of affairs.

Touches on Matter of Taxation

In saying that the legislative situation is satisfactory I should have admitted one qualification. I refer to the matter of taxation.

We do not hold that all taxation of life insurance is unfair, but the amount of taxes paid by legal reserve life insurance companies is out of line with the amount of tax, local, state and national, which other lines of endeavor are called upon to bear. Admittedly the present tax burden is high but life insurance has been reasonably well adjusted to bear it. We can hope for some lightening of the load but it is even more important that we maintain ceaseless watchfulness that further burdens are not laid on us beyond our capacity to bear. Our companies are obligated now under contracts that have yet many years to run at

of a tax as great in amount in years when net profits may be small or actually non-existent, which might again prove to be the case if another pandemic should occur, as in years when net profits may be quite substantial.

Were other factors than interest introduced in the computation of the tax, complications might arise and the great present advantage of simplicity might be lost, yet so long as the expenses of conducting the business and the average interest rate are both relatively higher in the younger companies, equity as between the various groups of companies will not prevail under the present law.

Must Cut Down Waste in Management

There is waste in the life insurance business, waste in the production methods, in agency turnover, even in human life. Happily there is an earnest, seeking spirit in this Convention to minimize these evils. The individual companies do what they can but the sum total of results from these individual, isolated and perhaps spasmodic efforts is greatly less than would be the results if the same amount of effort were unified under intelligent direction from some such organization as this Convention.

Much valuable work of this kind has been done in the past by special committees of the Convention. At this meeting we are to hear a report from such a committee on lapses. Other problems will assuredly present themselves for the consideration of the keenest minds in the business. Their solution need not be sought outside the organizations now in existence. Before errors can be corrected the causes must be located and to that end investigation must be made. Impressions are well enough, but forward movement based on impressions only is likely to lack that force and intelligent direction which can only come with complete understanding, and complete understanding is only pos-



J. B. REYNOLDS
President Kansas City Life

conditions with a view to reducing automobile accidents which are growing alarmingly.

Crime and lawlessness are exacting a frightful toll of innocent lives. Firearms at the easy command of the irresponsible produce an annual roll of deaths and casualties that is little short of disgraceful. Too many lives are cut off at the very pinnacle of their usefulness because it is not appreciated by the general run of people that prevention applies with as effective force to the degenerative diseases of middle age as to the acute diseases of earlier life.

In all of these things the individual company's effort would be of some avail, but their combined efforts intelligently directed would surely exercise a much more appreciable influence for good. This Convention could render useful service to the public welfare as well as to the member companies were it to undertake campaigns of education to influence public opinion along proper lines in these important problems. I believe that great good to our business would be derived from interest manifested by us in these important public problems.

Must Have Confidence of the Public

No business today can long prosper that does not have the confidence of the public. In a very special way life insurance has the right to claim that it enjoys that confidence and it is to be earnestly hoped that it will always retain public favor and esteem. But is it enough that we be satisfied with the present happy

(CONTINUED ON PAGE 44)

Writing Without Medical Examination

BY FRANKLIN B. MEAD

THE first assumption of life risks was of individual risks by individual insurers or groups of individual insurers, which came to receive the term "Lloyds" from one Edward Lloyd, the proprietor of a coffee house in London where these individuals were accustomed to meet. Frequently those going into foreign parts either on a religious pilgrimage or on a trading expedition were insured for the journey on special bases. In these early times the insurance was usually limited either to these journeys or to a short period such as one year. In this country life insurance in the early part of the eighteenth century had its beginnings in similar policies issued by marine insurance offices which insured merchants contemplating a voyage to Europe or the West Indies or to what were then the frontier regions of the west. The policies were merely for the journey or voyage. For the sea voyage the rate was usually the same as the rate charged for the cargo, usually 5 per cent of the amount insured.

Held a "Court" for Admission of Members

The earliest societies for insurance formed in Great Britain were mutual contribution societies. The old were usually admitted on the same terms as the young and there was naturally little attempt at individual selection. Applicants for insurance were called "subscribers" and affairs seemed to be controlled by a board of trustees elected for one year, who were persons of good social position, such as clergymen. Any three of these could hold a "court" for the admission of "subscribers." Here we have the first attempt at selection. Those entering were required to sign a "deed" and within six months to appear at the office before three or more of the trustees in order to have their policies approved. The subscriber was required to produce a certificate of his age and an affidavit that "he had not known any distemper upon him and that he was in a very good state of health." The trustees had the power to refuse a subscriber "if it appeared he was sickly or infirm" or if he did not produce a certificate or if in any other respect it appeared he was not qualified for membership. Occasionally anyone of the clergy or laity might be admitted "by proxy" provided he was known to some of the trustees or to the "master of the office," or to two subscribers or to substantial housekeepers who knew him to be a person of "good report" and not above 50 years of age. A certificate, signed by the ministers of three neighboring parishes testifying that they believed the subscriber to be in good health and such age as he declared himself to be, would be sufficient for admission.

Applicants Appeared Before Committee

After the formation of the "Amicable Society for a Perpetual Insurance" and the famous Equitable of London, it became the custom to require the candidates for admission to appear before a committee who put them through a sort of cross-examination as to health, habits, etc. There were no medical examinations. As the business developed further, they were required to appear before the board of directors.

This practice obtained until the early part of the nineteenth century, when medical selection was first brought into play, with a view to counteracting the increasing danger of adverse selection against the offices. In this early era, however, applicants for admission were accepted or rejected according to whether the directors took a favorable view or otherwise. Evidently the directors were frequently puzzled as to the effects of certain medical aspects which appeared as to certain of the proposers and hence the practice arose of having a "medical adviser" present

at these meetings when the proposers presented themselves. Here we have the beginning of "medical selection." Later, as an outgrowth of this, "local medical examiners" came to be appointed. In connection with their work the principal features that were considered were habits, family history and previous declaration for insurance.

Officers Assisted by Reports of Friends

The officers were sometimes assisted in their selection by "private friend's reports." As we peruse the "friend's report" utilized by the Eagle & British Dominions Assurance Company in connection with the application of Charles Dickens in 1841, which was executed by Macready, the actor and theatrical manager, we could almost believe we were reading a similar report in the twentieth century still used by some of our American companies. Here we have the be-

made his living entirely through the life insurance business, and when agents were usually attorneys or others in special repute.

Blank Paper for Doctor to Write On

More or less detailed forms of examination were developed in many of the offices, but some of them were quite simple. Even today the examination blank of the old Equitable of London, which has been doing business for 150 years, is little more than a blank piece of paper upon which the medical examiner tells what he thinks about the risk.

As late as 1886, six of the British companies did not have a form of medical report. One of these even utilized verbal reports only, which the doctor made before the officials, who might occasionally jot down some memorandum regarding the risk. In five other companies, no report form was supplied

Life insurance looks to Franklin B. Mead, secretary of the Lincoln National Life, for light along new paths. Reared in the life insurance business, and himself one of the early graduates of the famous actuarial course at the University of Michigan, he has often carried actuarial methods into untrodden fields. The widespread acceptance of the total and permanent disability clause was largely due to published reports of his investigations. His analyses of the problems of "Life Insurance Without Medical Examination," presented at the meeting of the American Life Convention this week, will doubtless afford landmarks for many companies now studying that plan.

ginning of the modern inspection report from which was developed the commercial report of the private agency, the first of which was established in this country in 1893.

Selection Was Based on Agent's Report

Even after medical examinations were introduced in London in the early part of the century, they were not required in the country, but the agent's report was the main document upon which lives were selected. An applicant proposed in the country and not introduced by the agent was required to appear before the nearest agent who was paid a fee of 10s. 6d. for his report, to which great weight was attached. As a result, great care was taken in appointing agents. This was in the days before the professional agent, that is, the man who

and no questions were asked, but the examiner prepared his own form of report to suit the individual case.

The experience of the New England Mutual, which began business in 1844, is probably typical as to the practice in this country in the forties, when many of the companies which are prominent today were organized. Their first appointed "consulting physician" was in 1846 and their first "medical examiner" was not appointed until 1863. Personal inspection by the president usually answered all the necessary requirements of that time.

President Made Personal Inspection of Risks

President Stevens, in his "Reminiscences," states that for a long time

1. Yale Readings on Life Insurance by Zartman and Price, Page 62.
2. Links With the Past, published by The Eagle and British Dominions Assurance Company in 1917, Page 120.
3. Journal of Institute of Actuaries, Vol. XXII, Page 16.
4. On the Assessment of Life Risks, Journal of Institute of Actuaries, Vol. XXV, Page 411.
5. Reminiscences of President Stevens 1847-1897, published in the latter year.



HENRY ABELS
Vice-President Franklin Life



FRANKLIN B. MEAD
Secretary Lincoln National Life

after he entered the service of the company in 1847 "little use was made of a medical examiner" for "it was only when an applicant showed a weakness of some sort, an impure complexion or something to create distrust, that the services of an examiner were required; and hundreds upon hundreds of our early members, for a period of five years at least after our organization, were insured simply upon the certificate of a friend, who vouched for the applicant as being a man of good moral character, and to his best knowledge and belief free from disease. The applicant underwent the personal inspection of the president, and in his absence, my own; if there was an answer, however, to cause distrust, the applicant was sent to the office of the consulting physician. The questions now known in the medical certificates of today were not known or even dreamed of a half-century ago. This was the form in general use: 'I have examined . . . an applicant for life insurance in the New England Mutual Life Insurance Company, and certify him to be in good health, and a good insurable life,' or words to that effect. There was no printed certificate and the examiner was left to word the document as he thought best."

Sent Doubtful Risk to Consulting Physician

Mr. Stevens said, in looking over the applications of the first 500 insured lives, the most difficult one to solve appeared to be in connection with the applicant who made an allusion to "having had a cough in former years but not within ten years," and as a consequence he was required to produce a certificate from his family physician. As this did not seem to fill the bill, the "president was wary" and sent the applicant to the consulting physician, who executed the following statement: "From the statements of Mr. Barnes I should not think his cough was likely to shorten his life, and I should therefore consider the risk a fair one." Mr. Stevens further states that the foregoing was "the weakest application" he had been able to find in the first 500 selected lives. Their application in those days contained 18 questions, attached to which was a certificate of a friend to strengthen the case in the following form: "I, the undersigned Joseph White, cashier of the Atlas Bank of Boston, in the state of Massachusetts, have been acquainted with Benjamin H. Barnes, whose life has been proposed for insurance in the above application, for many years, and I have carefully examined the above statements subscribed by him, and I have no reason to doubt their truth, and I sincerely believe that the said applicant makes the same honestly and fairly with a full belief of their truth."

Certificate of Health from Family Physician

As further illustrating the practice in America at this time, the following quotation from the address of Dr. Homer Gage, president of the Medical Directors' Association, in 1917, is given:

"In the early days of our own company applicants did not have to present themselves—they simply presented a formal application with a certificate of health from their family physician; these were passed upon by a committee of the directors who met once a week in the evening at 7 o'clock; and I have often heard my father say that even after he became a medical director in 1865, the physical fitness of the applicant and his medical history were quite subordinate to the consideration of his general character, reputation, and financial responsibility. So that the selection of lives was conducted very much as the

6. Proceedings of the Association of Life Insurance Medical Directors of America, 1917-1918, Page 6.

dissection of character in the sewing circle of the village church.

"Gradually it came to be recognized that the problem was largely a medical one, and that the medical examination and medical history of the applicant and his family were the important factors in determining his insurability. The responsibility for the selection of lives then fell upon the shoulders of the medical director. But for many years his method of dealing with the problems, reflecting as it did the general attitude of the profession toward medical questions, was little better than the old way."

Group Insurance First Modern Instance

Thus, as the business of life insurance rapidly expanded, the executives who had been passing on applicants for insurance became more and more interested in the business aspect of their organizations, with the result that the "medical adviser" evolved into the "medical director" with almost exclusive authority in the acceptance, rejection or postponement of risks and the act came to be known as "medical selection."

Such was the situation in American and Canadian companies prior to the introduction of group insurance, which was the first type of insurance to be written by the companies on this continent in these later days of complex views regarding selection without the preliminary of a medical examination. Doubtless everyone in this room will recall the hue and cry in some quarters about the safety of even group insurance without medical examination. The first group policy was issued in 1912 and since then this type of business has been successful and has grown to enormous proportions. It has not only done much to increase the insurance coverage throughout the country, but it has stimulated additional regular insurance as a by-product. Group insurance is now recognized as a legitimate and established form of life insurance.

Canadian Companies Made the Start

While it is true that industrial companies have long been accepting insurance for small amounts without regular medical examinations, still a medical inspection is required and for this and other obvious reasons this type of insurance has few of the characteristics and presents few of the problems contemplated in our present discussion.

As a reaction against the increasing complexity of medical requirements a British company in 1890 adopted a scheme of insurance without medical examination but with so many restrictions that the proposition was not at all attractive. By 1900 a plan was developed in Great Britain whereby the only two restrictions were a decreased amount of insurance during the first two years and the policy could not be assigned or otherwise dealt with during that time.

Owing to the difficulties of securing examinations in the rural sections of Canada and the attempt in 1920 on the part of certain medical associations to raise the fee to \$10, one of the Canadian companies announced that on Jan. 1, 1921, it would inaugurate the plan of life insurance without examination for an amount not in excess of \$1,000 within the limits of ages 20 to 45. During the year 1921 five Canadian companies wrote more or less insurance without medical examination, two of them for over \$3,000,000 and \$4,000,000, respectively.

Alters the Function of Medical Examination

While life insurance without examination may still have its opponents as a general proposition, still it may be safely asserted that it is now the predominant view that this procedure is a proper development of the future and a proper endeavor to throw off some of the shack-

7. The foregoing in entirety are extracts from a paper, "The Evolution of Medical Selection and of Life Underwriting," presented by the present writer before the American Institute of Actuaries at its annual meeting in Indianapolis, May 27, 1920.

Unique Welcome Was Extended; Good Addresses on Wednesday

THE American Life Convention had a unique welcome when its members assembled at the first session. The organization has been greeted by various city officials but never before by a chief of police. The Louisville meeting was addressed by Col. Forrest Braden, the head of the police department of that city. As he started his talk a squad of uniformed police entered the room and guarded all exits. They formed about the sides of the auditorium. Col. Braden stated that although he issued all the stop and go orders, he had sufficient officers present who would see to it that he would not be limited in the length of this talk.

Showed Knowledge of Life Insurance

The audience was surprised at the use Col. Braden made of life insurance terminology. He was familiar with trade and with actuarial terms. He parodied all these in his comment on what might befall men arrested for violating the liquor act. Col. Braden said he occupied a novel position in that he was holding a public office and was not a candidate for reappointment. He told about his physical prowess and said he would be an applicant for the position of door man at any home office. Col. Braden declared he was unusual in that he was making an application simultaneously to 136 companies.

Address Sparked With Rollicking Wit

Col. Braden aroused the risibilities of his hearers by his abounding good humor and happy, snappy expressions. It was an insurance talk tied up with police duties.

Col. Braden said that he lived in Indianapolis in the days when many life companies were being promoted and special board contracts flourished like the green bay tree. These board contracts, he asserted, enlarged the vocabulary of insurance commissioners. The promoters, he stated, wrecked the multiplication table in their glowing exposition of profits.

Col. Braden's brothers are members of the loss adjusting firm of Frank L. Braden & Co. at Indianapolis. He in years gone by was special agent of the Travelers in Indiana and later was an agent of the Mutual Life. He had just become special examiner of the Indiana insurance department when war was declared. He has a distinguished record in military life. He has done most excellent work in the police department at Louisville.

In his closing remarks Col. Braden was eloquent in his tribute to life insurance. He said life men should be proud of their great achievements.

When Col. Braden came to the platform he laid his pipe on the desk, broke into a rapturous smile and then started his rapid firing guns of wit. Col. Braden, on the expiration of his official duties, will engage in life insurance work in some capacity.

Louisville is strong in hospitality. Mayor Huston Quinn was present to

extend the official welcome. He gave very much of an insurance talk which was refreshing. He said that Louisville has a higher percentage of American born citizens than any other city in the country. Mayor Quinn emphasized the great progress, magnificent attainments and high standards of life insurance. Life salesmen today, he averred, are boosters. They are getting away from the old method of attacking one another. They talk their own contracts and have a cordial word for rival companies. They are teaching the doctrine of harmony.

Life insurance has been through the fire. It has had its battles. Today it shows the effects of the refining processes. Mayor Quinn said the life men of Louisville are public spirited and are prominent in civic work. They create an atmosphere of friendliness. He said that one out of every five people in Louisville is insured in one of the home companies.

"Marse Henry" Powell Also a Welcomer

"Our own Marse Henry" Powell, manager of the Equitable Life of New York, former president of the National Association of Life Underwriters, and prince of good fellows, spoke for the National association and the local body. He was replete with good stories and cordial felicitations.

President George Graham read his address. A man of outstanding ability, growing in prominence, his worth is recognized on all sides. When he called the meeting to order he was given a loud salvo of applause. He presided with ease and dignity.

Secretary T. W. Blackburn's report received earnest attention, largely because Mr. Graham in his talk announced Mr. Blackburn would retire from the service within the next year. This news was received with universal regret.

The Wednesday afternoon session brought out three papers of superior value. They touched on different points of vital interest to the members.

Treasurer Charles W. Gold of the Jefferson Standard Life had as his subject "How Much Life Insurance?" Mr. Gold was formerly an agency manager, so that his training reflected itself in his observations. He is one of the most popular men who attend the meetings.

President E. W. Randall of the Minnesota Mutual projected a note of sentiment into the proceedings in his paper on "Life Insurance Is Sentiment, Not Selfishness." He is a former president of the American Life Convention and views life insurance from an idealistic standpoint.

Ernest M. Blehl, actuary of the Philadelphia Life, has made a strong impression on the members in the past. He is a deep student of life insurance. His subject was "The Young Companies' New Problems." Mr. Blehl, owing to a cold, could not read his paper. It was read by President Clifton Maloney of the Philadelphia Life. It was an interesting symposium.

the actuarial bodies through papers and discussions but the subject has received some attention by way of informal discussion at the meetings of medical directors and a number of articles have appeared from time to time in the insurance journals not only setting forth the views of various insurance officials but relating their various experiences. Bulletins have also been issued by various insurance organizations containing, in addition to much other interesting matter, a summary of the practices of the companies in general as well as a summary of the opinions of executives regarding the practice.

The subject as a topic for general dis-

cussion is, therefore, in danger of becoming threadbare and, for this reason and because the subject is such a live and important one that insurance experts and executives have generally kept in touch with the entire development of the subject as expounded in many ways, it will not be the purpose of this paper to deal with the subject in an exhaustive way in its various phases, nor to rehearse the present practices of companies but to present certain analyses and deductions which were made in my own company both before and after its adoption of the plan.

As a preliminary to any consideration of the present topic or a preliminary to the adoption of the practice in any company it would seem proper that some investigation should be made as to what service the medical examination renders and whether that service is sufficient return for the medical examination fee and all the administrative costs that result from the medical examination and as an adjunct to this very pertinent consideration, subsidiary consideration should be given to the other auxiliaries of selection and what they accomplish.

Conditions Might Not Apply to Others

It might be well to state in passing that it is quite possible that the conditions revealed in this paper might not apply to other companies and that the conditions in the same company might vary as regards territory, agencies or agents; also as a corollary it may be further stated that the rules regarding insurance without examination should be based upon the conditions in the individual companies and not upon the conditions of competition in the field; otherwise bitter experiences, if not serious losses, might result. It is believed, however, that the statistics submitted will throw considerable light on the subject.

Before adopting the procedure on non-medical insurance, which we are doing gradually, state by state, we made an analysis for the year 1924 as regards the first three states in which we inaugurated the plan, Minnesota, Michigan and North Dakota. These states were selected for the reason that they seemed to most resemble the conditions in Canada and it was our idea to develop our technique with the business in these states and then develop in other states gradually.

Tables Show Experience Carefully Analyzed

An examination of Table A reveals the fact that approximately 80 percent of the modifications and 80 percent of the rejections are due to the applicant's statement. It will also be noted that of the remaining 20 percent the sources of information causing modification or rejection are about equally divided between the examination and the other sources of information.

By referring to Table B it will be observed that under the plan without examination or rather, the "Selective Risk" plan which is perhaps a better term inasmuch as some are actually held for examination, the percentage of cases taken standard without examination was 93.2 percent by number and 93 percent by amount; and by referring to Table D, 1.2 percent by number and amount were taken standard after examination, making a total taken standard of 94.4 percent by number and 94.2 percent by amount as compared with 88.1 percent by number and 88.9 percent by amount taken standard by examination in 1924. It will thus be seen that we took 5.3 percent more standard by the "Selective Risk" plan.

Agent Not as Efficient As Medical Man

Again, from tables B and D it will be found that the total amount modified including the unexamined and examined by the "Selective Risk" plan was 8.1 percent and the total amount rejected 1 percent. Since we rejected 1 percent by the "Selective Risk" plan as compared with 1.1 percent by the old plan, it is a reasonable assumption that we eliminated

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Business Cooperation to Reduce Taxes

BY JOHN W. O'LEARY

THE United States as a whole is prosperous. The recent record breaking movement of freight indicates that agriculture, commerce and industry are active. We find marked improvement in the financial condition of the farmer. The amount of building, particularly of homes, and the unprecedented sale of automobiles reflect a thriving condition among the people today. That the future is not being neglected is evident from the fact that more life insurance is being sold this year than ever before and the amount of money in savings banks will probably surpass all previous totals.

Within the near future there will be another session of congress as well as meetings of some of the state legislatures. Before business men can have a clear concept of the policies they should advocate, they must have facts. Fourteen hundred associations, representing every important line of business activity, compose a federation called the Chamber of Commerce of the United States. It functions as a fact finding body for these members.

Insurance Department In National Chamber

The National Chamber has divided all business into eight divisions, one of which is insurance. Like the other branches, it is represented by a department with an advisory committee consisting of some of the outstanding men in its clientele. In addition, two representatives of insurance are elected by member organizations through their national councillors to our board of directors.

The American Life Convention is a constituent organization member of the National Chamber. As questions are submitted to you for consideration through referenda, we hope you will give them the consideration they deserve and let us know your opinion. Through this process the institution of life insurance contributes its views on national problems which help determine the policy for business as a whole. The Chamber must know what members think of issues in order to fulfill to the fullest degree the responsibility imposed upon it by you—hence the importance of referenda.

Railroad Question of Interest to Insurance

One of the primary factors in the further development of our economic processes is transportation. The net earnings of the railroads as a whole have not yet come up to the amount designated as a fair return by the Interstate Commerce Commission. Material sums of money will be needed in the future

for the further upbuilding of our railroad system. Investors are not enthusiastic about placing their funds into enterprises, regardless of how necessary for the public welfare, unless there is a reasonable assurance of a fair return. Then too, the present earnings of railroads should enable those whose moneys have made them possible to earn a reasonable yield.

A proper appreciation of the service of the railroads by the general public necessarily precedes their willingness to support sane legislation and regulation. It would be helpful if the American people realized the old distinction so often made between capital and labor does not apply today. The carriers are owned by a substantial number of American citizens who are stockholders, directly or indirectly. About 10 per cent of the moneys invested in railroads represents

men of greater means. The original idea was it would tend to increase revenue. It is exceedingly doubtful if it has accomplished this. This method was resorted to once before but later abolished. It has served no useful purpose and the Chamber maintains it violates the confidence which necessarily should exist between the government and citizens. Congress should repeal this provision.

Until the constitutional amendment permitting a federal tax on incomes, our national government was dependent largely upon indirect taxes for support. Today the bulk of its income is from direct taxes. The trend has been from indirect to direct taxation. Because of this the people know what they are spending for governmental operations, hence the clamor for economies and tax reduction.

John W. O'Leary of Chicago, president of the Chamber of Commerce of the United States, in his address before the American Life Convention outlined the purposes of that organization and the necessity for cooperation among business interests of all classes. He reviewed some of the important problems that are likely to come up for action in Congress, referring to the interest that insurance companies have in the railroad situation by reason of their holding of railroad securities and devoting especial attention to the tax situation. The general revision of both federal and state taxation laws was declared to be an urgent need and it was urged that the reduction in federal taxation, which is considered sure to come, should be made on a scientific basis.

reserves which life insurance policy holders are building up through their premiums. They have a property interest in the roads, the value of which they should protect, but few of them know it.

Further relief from taxation is necessary. It is hoped this will be on a scientific basis and so designed as to do the most good. Particular attention should be given to indirect taxes on various commodities and surtax rates. The treasury department maintains, and rightly so, that surtaxes are too high, and the source of revenue diminishes as the surtax increases. Investigations based upon the experience from 1916 through 1922 bear out this contention.

The federal estate tax also demands attention. Although legally termed a tax on the transfer of wealth, it is really a tax on capital. Today we find the federal government and all of the states, excepting two, imposing these taxes and some of them receiving an appreciable part of their total current revenue from this source. Heretofore the United States government has resorted to special taxes, such as the inheritance and estate taxes, only in time of war emergencies. Under these conditions if the United States government continues its estate taxes, it is using a method of taxation which in peace time has been set aside in the past for state purposes.

Referendum Against Federal Estate Taxes

Furthermore, since it is fair to suppose the states will not abandon this source of revenue, the continuation of the United States government in this field produces multiple taxation of estates. The Chamber, after investigation, submitted this question to referendum. Constituent members have committed the Chamber to the policy that the federal government should always refrain from imposing estate or inheritance taxes and the estate tax now levied by the federal government should be repealed.

The publication of income tax returns has met with widespread opposition. People with small incomes object to having their personal affairs made known to their neighbors just as much as the

versal in its application for all in the same income classifications and situations. In view of the surtaxes, many people are driven to the choice that deprives the government of their proper contributions toward its revenues. This may make the income tax a proportionately heavier burden upon those with small incomes. As a method of improving the tax exempt security situation, the Chamber of Commerce of the United States is committed to the principle that a constitutional amendment should permit non-discriminatory taxation reciprocally between the federal government and the states on income derived from future issues of securities made by public authority.

Individuals Can No Longer Function Alone

The time has passed when an individual business man can function alone on broad problems. The tendency today is for men in similar lines of commerce and industry to get together, pool their efforts and judgment for the general welfare. This collective action makes possible more efficient technical processes and administration, the development of higher ethical standards, and a broader return to the public through improved service or lower costs. This can only be, though, when each member realizes the need of such concerted action. For instance, take life insurance: whatever affects that institution directly affects each company rendering that service. But a realization of this is not enough. Association members must be willing to contribute their time and energy to get maximum results. A good association, developed with proper ideals, is an anchor to the windward in the event of storms due to unsound thinking or uneconomic actions.

Associational activities can make self-government a reality. Many of the laws which are over-regulatory in nature or impose hindrances upon private enterprise are due to unfair actions on the part of the individual business men in the past. Possibly many of the men responsible exist no more, but the laws continue. In the wake of public furor it is comparatively easy to get certain types of legislation enacted which are subsequently difficult to have changed, regardless of improved conditions. Self-government, high ideals of service, and ethical standards rigidly adhered to, all make for less governmental interference with business and saner regulations and legislation. There is one very potent factor which must not be overlooked. The public must know these things.

Opposed to Special Insurance Tax Levies

The National Chamber has and is continuing to function upon the evils incidental to special state imposts. About a year ago, after careful investigation by its insurance department, it went on record as being opposed to existing methods of imposing special insurance taxes indirectly on policyholders. It believes these special taxes should be limited to a sum which would be sufficient to maintain the state insurance supervisory service. Since the time of commitment, it has been gratifying to note the instances in which the business men in various states have helped defeat further increases in proposed special insurance taxes—a good illustration of cooperation.

With the increase in demand for more money by the various forms of state and local government, the tax exempt security situation has become more acute. As a result of the ability to issue tax exempt securities, the various types of government are able to attract money which is necessary for industry and commerce. This tends to force business to pay higher rates of interest for money it actually needs for development and expansion. In addition to penalizing private enterprise, tax exempt securities enable those who so desire to evade a national tax which is intended to be uni-



JOHN W. O'LEARY
President Chamber of Commerce of U. S.



HENRY J. POWELL, Louisville
Former President National Association of Life Underwriters

How Much Life Insurance to Write

By CHARLES W. GOLD

Treasurer, Jefferson Standard Life

THE subject of "How Much Life Insurance" naturally divides itself into three topics of interest to the life company executives. First, what factors enter into a determination of the amount a company can accept on the life of an individual risk? Second, what factors enter into a determination of the amount the individual should be allowed to carry? Third, how much life insurance a company can safely write annually, which resolves into still another phase—how large should a company finally become?

Naturally, the amount carried on any one risk is determined by the company's surplus. Of course, the smaller company can reinsure a large amount on each individual risk so the question refers to the net amount at risk. Reinsurance is expensive and the amount of the policy written must be largely determined by the service necessary to



CHARLES W. GOLD
Treasurer Jefferson Standard Life

accommodate the demands of the agency force.

Proper Risk Retention for the Small Company

A company just organized with \$100,000 capital and \$100,000 surplus would naturally not carry less than \$5,000 on one risk. It does not follow, however, that the amount of risk should increase with the ratio of increase in business. The retention of \$5,000 by that company is largely arbitrary and a matter of necessity. When that same company gets \$50,000,000 of insurance in force, it certainly should not retain as much as \$50,000 which might seem logical on account of the increase in business in force.

The maximum retention on any one risk should be governed by the amount of surplus which should not exceed 5 percent of the free surplus of the company, to which, of course, in a stock company should be added, for the purpose of this determination, the capital stock. So that if the company referred to could get a sufficient number of policies of \$25,000 each to make a class, it could safely carry \$25,000 in one risk, provided its surplus requirements are adequate. The obvious way to attain this plan is by cancelling the reinsurance of its larger policies at the time the increase in retention is decided upon. I am firmly convinced that the average company of fair size has a maximum retention too small, rather than too large. The range in fluctuation of mortality is fairly small, and the only purpose of reinsurance or limiting the individual risk is to prevent undue fluctuations in the company's death claims.

Fire companies have what is known

as the conflagration hazard and it would seem that about once in each generation life companies may expect something similar to the epidemic such as occurred in the late 80's and again in 1918 and 1919 in the flu epidemic, when the ratio of actual to expected mortality ran as high in some cases as 140 percent.

Ordinarily, however, the fluctuation of mortality in individual companies will vary from 5 percent to 12 percent. To be entirely safe before retention is increased, the company should try to attain a surplus equal to about 25 percent of a normal year's expectancy in addition to whatever the management considers a reasonable general surplus. In addition it should have at least 100 cases on its books, which it can increase to the new maximum retention by decreasing reinsurance with a prospect of writing from 20 to 25 of such cases each year thereafter. If the increase contemplated amounts to \$10,000, then the surplus above suggested, that is, 25 percent of expected mortality, plus \$30,000 should be sufficient to warrant

much aggregate life a company can safely write annually, is given too little consideration in too many cases. Many companies during their younger days in their effort to get business on their books simply wrote all the business possible, forgetting that there should be a direct ratio between surplus and the amount of first year business in force. Some younger companies went at the matter more intelligently and after deciding that their first acquisition costs were reasonable, went after all the business they could get.

One Method of Determining Proper Volume

The other company not being so careful about the acquisition cost went after business just as vigorously with the result that the surplus was considerably cut. One answer to the question is that if the company's business is costing say \$2 over and above the premium, then the company should easily determine how a certain amount of business will affect its surplus provided other factors remain constant. Another

Charles W. Gold in his official capacity as treasurer of the Jefferson Standard Life has met with practically all the problems that could possibly confront the executive faced by the question of how much insurance to write. He has given the subject a great deal of study and when he delivered his address before the American Life Convention, his audience gave strict attention, as the subject was not only interesting but was also well handled.

the increase. As reinsurance is expensive to the ceding company, increase in retention should be made as soon as possible.

The factors which enter into a determination of how much insurance the company should grant the individual risk are underwriting problems into which many elements enter such as financial conditions, age, temperament, family history, kind of business, etc. The man with a champagne appetite and a beer income should be scrutinized closely upon his application for a large policy. Key men in a corporation should carry large policies for the benefit of the corporation but if the company is dominated by a single man, he might think he is the key man and still might not be. Whether or not a particular individual is sufficiently important to his corporation for a large policy to be carried on his life is a question for the underwriter of the insuring company to determine. A man of excitable temperament might easily become overinsured and be submerged by unusual business conditions and decide to take the easy way out.

There is possibly more risk taken by companies in this borderline of large policies on speculative risks than in any other class. Every company wants to write as much good insurance as it possibly can within reasonable limits. Immature underwriting departments find it difficult to determine just where the borderline begins and yet in the consideration of these borderline cases lies the real underwriting ability. Especially so when the policy carries double indemnity insurance.

A Game of Averages From Beginning to End

Life insurance is a game of averages from the appointing of the agent to the death of the insured. A determination by the home office of the size of the policy for the individual insurer is a matter of tremendous consequence and one which should involve "steady but careful underwriting."

The third factor entering into how much life insurance, the question of how

suggestion is to take all the loadings on the renewal premium, together with the premiums on an estimated amount of new business and let this be the determining factor as to how much business can be safely written.

Of course the policy of one company may be to build at small costs and slowly, while another company may have the plan of growing rapidly and in this case the cost will certainly be more. The question really resolves itself into this: "How much new business does the company want to write?" Some companies do not care to write all they possibly can, but prefer to go along from year to year with a gradually increasing new business, business in force and surplus. Others prefer to write as much as possible within limits of safety. Which method is better for the ultimate size, permanence and general standing of the company is a matter of speculation.

Cannot Apply Same Rule to All Companies

Safety should be the fundamental of either plan, but no one rule can be applied to companies generally, because what will suit one company's conditions will not suit another.

One company that has been conspicuous for its steady growth during its early years worked out a satisfactory basis by the use of what is called a prognostication sheet. The actual results for one year with the consequent loss in surplus due to writing the paid-for business of that year, was used as an index for the next year's writing and it is surprising how near the estimate of the transactions for the following year were realized by the actual results.

This company simply took all the factors going to make up one year's experience for guidance in arriving at the next year's results. This was found to be a safe method and the company wrote the amount of business which they decided to write without the loss of very much surplus. The conservatism of such a plan is a strong recommendation for it.

The amount of new business written

concerns rapidity of growth rather than ultimate size. It must be assumed that lapses will not be unduly high, for if most of the business terminates in early years, the company can never be as large in size as the company having low lapse ratio.

In a paper by James F. Elston in the "Transactions of the Actuarial Society of America," Volume 23, Part I, No. 67, he summarizes the problem of how much new business can safely be written by companies. "A combination of first year premiums, claims, expenses and reserves," Mr. Elston declares, "together with interest, gives the loss per \$1,000 of business. Corresponding renewal items give the gains per \$1,000 renewal business. With these factors, as well as the amount of renewal business with which to commence a new year, the amount of new



H. L. SEAY
President Southland Life

business that can be written with no effect on surplus can be roughly estimated, the principal assumption being that the mortality will be the same. Of course similar estimates available for several successive years materially aid such estimates and the normal rate of mortality can be used to better advantage than the actual if the latter is abnormal.

Discusses Question of Valuation Standards

The gross amount of business a company can write is vitally connected with its valuation standards and it is to be assumed that some form of preliminary term valuation has been adopted, because an attempt to use level net premium reserves would require such a diversion of surplus reserves for each year's new business that no satisfactory progress can be shown.

On the other hand, a full preliminary term valuation on plans more expensive than 20 payment life is hardly justifiable. The conditions where level net premium valuation is insisted on from the beginning is best illustrated by the fact that in the New England states where no other valuation was permitted, no life insurance company has been organized in many years and if they had organized, they could not operate without tremendous surplus having been contributed by stockholders.

Once a company is under way a competent actuary can readily figure the surplus which should be realized from the renewal business in force and knowing the total cost, including reserves, of putting on the new business, it is a comparatively easy calculation to set a limit to the new business a company

(CONTINUED ON PAGE 42)



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DUBUQUE, IOWA

M. A. NATION, President

Business Principles in the Agency

BY CLARENCE E. LINZ

MY first duties with my company were confined to the investment department, in the discharge of which I became interested in that proportion of our disbursements that is usually referred to as "agency balances," and was impressed with the fact that our company rather extensively indulged in the practice of making large and consistent cash advances to our agents. During 1920 our company advanced the amount of \$370,000 to members of our agency organization. I found that these advances were made rather indiscriminately to cover both living expenses of agents, and too frequently some of the luxuries of life.

At the end of that year we had agency balances totaling \$96,658. My interest and friendly criticism of the custom pursued by ourselves, as well as other companies of our size in our locality, suggested the thought that I offer a sub-

ploy, I immediately suggested that any change made would have to be a drastic one and went directly to the root of the evil by calling in for a conference one at a time our various so-called "big producers." They had been taught that in order to finance themselves in the handling of their business cash assistance must be rendered them by the home office. In the conferences that we held from time to time with our agents, the best results were obtained by discussing the matter with one agent at a time, because when we had three, four, or five agents at a conference, various objections would be suggested by the different agents in conference and the plan attacked from various angles that made it harder on our part to be understood. The agents, therefore, were not as well impressed by joint conferences as they were singly.

Through these various conferences over a period of about 90 days and through district agency meetings, every agent of the company was made familiar with the idea and finally agreed to try out the plan. I outlined in detail to our various agents the disadvantages that

agents just what we meant by applying business principles to agency work; which, after all, resolves itself down to the fundamental idea of business or trade principles. If a merchant, banker, lawyer, farmer, laborer, or an insurance company is not paid for the services rendered, the individual or the institution cannot survive; and after all was said and done the policies issued by any company represented what might be called its merchandise, and if we did not receive money for our merchandise we could not continue in business.

Bad Credit Losses Mount High

The large proportion of merchandise losses through bad credits was quite too large for sound business principles. While we realized that our production would be curtailed, the final results obtained would no doubt prove of great benefit to the company, to the agents, and finally, of course, to the insured.

The objections we met on the part of our agents were, much to our surprise, very easily overcome and in a very short

to the company, or any of its officers, in the inaugurating and carrying out of this policy, was when we undertook the task of convincing the agents that the paying of the nets in cash with each application was the best policy to pursue. But that was a task that was quickly over and resulted in some benefit by virtue of the better understanding that was created between the agents and the agency director.

Some of the Advantages

The good that has accrued from this is seen in many ways. Before adopting this system the agent used to take the entire premium in a note, hoping to borrow on it from the company. The amount collected by the agent on such a note was surprisingly small, and the policy on which the first premium was never paid was naturally never renewed.



CLARENCE E. LINZ
Vice-President Southland Life

stitute or submit a plan that would change this. Just about this time it was further suggested that I work in conjunction with the agency director then in charge of our agency department.

An Endeavor to Apply Business Methods

In an effort to work out a tangible plan of operation whereby agency advances could be eliminated, I proceeded along lines of reasoning with myself first and then with the agents: "Why cannot the fundamental principles of business be applied to agency work?" and "What are the fundamental principles of business?" I found that all too frequently a total stranger who could show some slight familiarity with our business of selling life insurance could and did obtain advances before he had ever solicited an application for insurance in our company. Schooled along the lines of ordinary commercial business such procedure struck me as peculiar to say the least.

How many hardware salesmen could go to a reliable wholesale house and obtain money under similar conditions? Applying this same question to every line of business and learning that this system of advances was more or less prevalent in life insurance, I came to the conclusion that life companies were following a practice that other reputable stable businesses would not countenance. I had the thought then, and experience has changed it to a conviction, that this practice of advancing money to agents was not good for the company, for the men, nor for the insurance buying public. Cash advances were stopped to men not under contract.

With respect to agents in our em-

Clarence E. Linz, now first vice-president and treasurer of the Southland Life of Dallas, has been in the insurance business for only four and one-half years, but in that short space of time he has learned more about agency building and the application of business principles to that work than some others have absorbed in a lifetime. He told the members of the Convention just how the Southland Life put its agents on a "cash and carry" basis; selling the agencies this system in such a way that it stayed sold and paid dividends on the effort necessary to institute the plan.

were accruing to the company and the advantages that would eventually accrue by virtue of the system we were starting.

Cash Plan Outlined to All Agents

I told them it was my thought, purpose and intention to have them operate on a cash basis and that from a certain date in the near future we would require that all applications for life insurance received by the home office be accompanied by the agents' checks for the nets. We had already anticipated what would be in the minds of our agents when this plan was suggested, that only on rare occasions could an agent secure a cash deposit or payment on a policy until the policy was in the hands of the agent for delivery. We explained that the agents' checks would be accepted and held until ten days after the policy had been mailed from the home office. At the expiration of that time the checks would be deposited for collection.

I explained to the agents that the company would not tolerate having a check returned because of non-payment, but explained that in the event the applicant was out of town, was ill, or if there was any other legitimate reason the policy could not be delivered, the company would upon proper request being made by the agent be glad to grant an extension for a reasonable time. It is only on very rare and exceptional occasions that we have requests for extensions.

Agents Object Rather Strenuously

The first reaction on the part of our agents was that the plan would be ruinous, that they would be greatly handicapped and that their production would be curtailed. We convinced them that if an applicant could not and would not pay at least part cash for the protection we were giving him, that that applicant was not properly sold and that the insurance would very quickly lapse; that if a man could not and would not pay his first premium, surely he could not and would not pay his second premium.

We also injected into the minds of our

period of time we induced all of our large producers to try out the plan and eventually worked the idea through our entire organization.

During the past two years it has been our custom to receive with each application the check of the agent attached. That this system works no hardships on any is shown by the fact that it was lived up to by our large, as well as our small, producers. Our largest producer last year sent through and paid for \$1,200,000; our second agent produced \$730,000; third agent, \$545,000; fourth, \$450,000, and fifth, \$425,000.

All agents have assured us personally that they would not under any circumstances go back to the old system; that they were happier, were being paid for the work they did, and, furthermore, they were not in debt to the company and not hampered by the worry of wondering how and when they could repay the money borrowed from the company.

Plan Cuts Lapses and Agency Losses

It should be considered, of course, that our company until the present year has operated only in Texas. However, during the present year we have entered Tennessee and Mississippi, in which we are doing a surprisingly splendid business through agents secured in these states without the customary system of advances. We cannot hope to say at this time what our plan of operation might be as we extend into other states, but we are convinced that the "cash and carry plan" employed during the past few years, while it has to some extent curtailed our production, has on the other hand very materially cut our lapse ratio, as well as agency losses. Believing that the system can and probably will be consistently and successfully continued on the part of our company, we are going to make every effort to pursue the policy outlined in this article, no matter how many states we may enter.

In setting off the ill effects against the good effects we find that the only worry and trouble that was ever brought



JOHN D. SAGE
President Union Central Life

Under our new plan, the agent gets his nets in cash and at the end of the year owes the company nothing; and it frequently happens that a man on being urged to pay sufficient amount to enable the agent to pay the company the net in cash, will pay the whole premium as well, thereby rendering the collection of the agent many times as good as under the old system.

You can all probably realize the difficulty in attempting to collect from an agent the advances he owes the company and at the same time instill into him a determination to get back into the field and work as he never worked before. With us, the conferences between the agency director and the agent are now held without any of the unpleasantness that used to permeate such meetings. In the old days we called in an agent more to try to collect from him than to try to "pep" him up, but today the whole purpose of an interview with an agent, or of a meeting of our agents, is to instill more enthusiasm for work, and we find every agent we have in a better frame of mind to receive any message of inspiration we may have for them.

Lost No Agents Through Transition

The agent is not at all different from any other business man and appreciates the application of business principles to his work by his company. His productive ability is far greater when he is not harassed by debt and his mind can function very much more freely than when it is constantly disturbed by plans to pay up or avoid his creditors. A significant fact in connection with this

(CONTINUED ON PAGE 27)

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**THE NORTHWESTERN MUTUAL LIFE
INSURANCE COMPANY
MILWAUKEE**

Character in Life Insurance Management of Importance

BY JOHN C. HILL
President Standard Life

AS a stream cannot rise above its source, so the character of a life insurance company cannot rise above the character of the men who compose its management. The sacred nature of the life insurance business fully justifies the expectation that the management of this business should be entrusted only to men whose personal characters are a guarantee that the interests of policyholders and of the beneficiaries will, at all times, be protected and surrounded by every safeguard.

One who is elected a director or an officer of a life insurance company thereby becomes a marked and selected man. Notwithstanding mistakes and criticisms, it is clearly apparent that in the few years of its existence, life insurance has been approved and accepted by the American people to such an extent that it has already taken its place among the business giants of the country. The management of this business is of importance not simply because of its extent, but also because of the diversity of talent required. Life insurance man-

above all else, requires character. It is generally known that, to a very large extent, the managements of life insurance companies are made up of men who are, or who have been, identified with banking institutions. Undoubtedly, a large share of the success of the life insurance business is due to the contributions made to its management by men of experience in the banking world.

All that has been said concerning the imperative need of character in the agency, actuarial, medical and investment departments of life insurance management can also be said concerning the accounting, publicity, and other departments.

Need for Convention Is Great

The American Life Convention has been a powerful force for the betterment of the life insurance business in general, as well as for the strengthening of the companies which compose it. Many of the companies composing this Convention are young and are still in their

Few are better able than John C. Hill, president of the Standard Life of Pittsburgh, to address such a body as the American Life Convention on the subject of character, especially where it deals with the management and personnel of an insurance company. Mr. Hill brought a real message to his fellow members.

agement calls for character and skill of the highest order in all of its departments—investment, agency, accounting, actuarial, medical, publicity, etc.

Primary Requisite Throughout Is Character

The primary requisite for the well-managed life insurance company is a force of salesmen, or agents, of character and responsibility. The character of the salesmen fixes to a large extent the character of the company and of its business. The manager who selects men of high character fixes the character of its business.

The conclusions and recommendations of the actuary call for the highest qualifications that can be obtained from the best training in mathematics; but at the same time, character must be back of all the work of this important office. The destinies of the business, to a large extent, are in the actuary's hands.

Medical Department Demands High Class Men

The medical departments of life insurance companies and their history justify the statement that the best have been chosen. The high character of the medical directors and examiners guarantees that the interests of the companies are in safe hands.

In the last analysis, life insurance companies are primarily investment institutions. Following the important actuarial, medical, and agency work, through which business of good character is placed on the company's books, the company must so invest the moneys deposited with it as premiums to fully carry out the provisions of the contracts made with the insured. While these contracts are varied, they all call for the return of certain stipulated sums to the beneficiary, or to the policyholder himself, at a certain date, and under certain conditions. When the policy is issued, an estate is thereby created and the life insurance company issuing the policy automatically becomes the trustee for the paying of that policy.

Need for Skilled and Trusted Bankers

The carrying out of this trust calls for the skill of the investment banker, but

formative periods. The interests of these companies, as well as the interests of the older and larger companies, demand that this Convention should at all times appraise the value of character in the management of life insurance companies. Unless this is done, it would seem that this Convention has missed its mark and has neglected one of its great opportunities.

The life insurance business must continue to have the confidence and respect of the public, and when a life insurance company through lack of character in its management does those things which weaken the confidence of the public, it would seem to be time for other life companies, singly and in their corporate capacity in the Life Convention, to do everything possible to put a stop to such practices. Happily, in this business, such cases are few, and that makes the stamping out of this kind of thing comparatively easy.

Coast Companies Well Represented

The Pacific Coast had many representatives on hand. President J. J. Cadigan and Vice-President E. J. O'Shea of the New World Life; Vice-President E. S. Chadwick of the Idaho State; General Manager C. S. Samuel of the Oregon Life; Dr. H. W. Gibbons of the Western States Life; General Counsel F. V. Keesling and Vice-President Gordon Thomson of the West Coast Life; General Counsel Harold Preston of the Northern Life of Seattle; General Manager W. H. Savage and Secretary F. B. Olds of the Great Republic Life, were present.

Brandon Host to Many

C. W. Brandon, president of the Columbus Mutual Life, and Mrs. Brandon entertained many friends during the week at luncheon or dinner. One admirer of "Pop" Brandon stated that the old warhorse could always be associated with good things to eat.

Secretary Blackburn announced there were 108 companies represented.

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Teamwork

The International Life is a believer in teamwork—whole-hearted, friendly co-operative teamwork. It is its constant aim and endeavor to have permeating throughout the organization a true spirit of co-operation. Making teamwork a working service ideal has aided us in making the International Life a good agent's company and the fastest growing one in the Mississippi Valley.

The American Life Convention does much to promote a better understanding and a more friendly spirit among company officials. This development of good will among companies is of great value to the business of Life Insurance service.

American Life companies represented in the American Life Association will prosper to the fullest extent only if they work together. The International Life not only believes in teamwork within its own ranks, but believes in teamwork among companies.

**Fastest Growing Company
in the Mississippi Valley**

International Life Insurance Co.

St. Louis, Missouri

W. K. WHITFIELD, President

DAVID W. HILL, Vice-President

W. F. GRANTGES, Vice-Pres. and Gen'l Mgr. of Agencies

New Problems of Young Companies

By ERNEST M. BLEHL
Actuary, Philadelphia Life

NEARLY three-fourths of the existing life companies have come into being since 1900, with the result that there are many young companies, whose problems are new, manifold and changing. The problem of determining selection standards is one.

In order to maintain satisfactory mortality, risks must be carefully selected. Selection is an art, difficult of attainment, correct when relating to large numbers, but failing sometimes in individual application. Theoretically everyone is insurable on some basis; and in practice the proportion actually accepted is constantly increasing.

Standards of Selection Changing Rapidly

In the early days of insurance, the applicant merely presented himself at the office of the company and was interviewed by its officers, none of whom were necessarily medical, and from the

scientifically, the system of numerical rating has been developed, in which the appraisal of mortality classification of an applicant is started with the figure 100, and is then modified by plus and minus mortality quantities indicated by the available statistical records bearing on the various elements under consideration.

If the plus quantities reach a certain amount, the policy will be given an appropriate extra rating, or may be rejected, in accordance with the standards of selection which have been established. In this manner numerical rating is applied to every application entering the office of many companies; and all offices utilize the idea to some extent, consciously or not, in estimating the hazards of a risk. For substandard business numerical rating is a practical necessity.

Best Method of Rating That Can Be Conceived

The results attained have been satisfactory to the companies, if not always to the agents. In the selection exercised in connection with an application on a

noted particularly, as it has been shown that, in groups where the employer paid the entire premium, the actual mortality experienced was far more favorable than where none was paid by the employer.

Lower Standards but Mortality Is Kept Down

As experience has ripened, the standards at first adopted have been progressively lowered without increasing the mortality, so that now it is not required that all the employees of a concern shall be included in a group; also the minimum number of individuals required to constitute a group has been greatly reduced.

Certain English companies developed the plan of accepting individual applicants without medical examination. When transplanted to America, the method appealed first to companies in Canada, where, during war time particularly, examiners were difficult to obtain, even though large fees were paid. These companies were dealing with a homogeneous population, in which mortality rates were exceedingly favorable;

cited show the tendency in the changes being made in the standards of selection and indicate the important developments with which new companies have to deal.

As insurance is being written with elimination and modification of old methods and amplification and substitution of new methods, it is highly important that an open state of mind be maintained as to what constitutes effective selection. It certainly is clear that in many cases the consideration of risks with the ordinary medical viewpoint predominant is not the only index of insurability, and frequently it may not even be the safest course.

And what of the future? Are these changes signs which point to the universality of insurance, when, under constantly increasing governmental control, all persons will be insured, regardless of physical condition?

The extent to which insurance companies have heretofore paid their obli-



ERNEST M. BLEHL
Actuary Philadelphia Life

findings then and there obtained, insurance was issued or declined. The requirement of medical examinations formed the next step in the evolution of selection standards, the blank containing, however, only a few brief questions.

But the methods and standards of selection are constantly changing. From these simple beginnings there have developed the present medical departments of insurance companies with their well organized office and field forces. These departments have made hundreds of investigations relating to millions of insurance years and have accumulated a great quantity and variety of information bearing on the subject of mortality experienced under different conditions.

Many Sources of Information Considered

So that now in passing upon a risk, the underwriter gives consideration to such sources of information as application, declarations made to the medical examiner, medical examiner's report, inspector's report, agent's report, medical impairment record, mortality statistical records.

In handling this data, it is observed that the mortality experienced will be affected by the following elements relating to each applicant: Age, sex, race, marital condition, family history, personal history, physical condition, habits, occupation, habitat, moral hazard, amount of insurance desired, plan of insurance.

In order to handle the information

Ernest M. Blehl, actuary of the Philadelphia Life, is regarded as one of the best posted men in his particular line. Whenever he has appeared before the American Life Convention in discussing any proposition he has been listened to with rapt attention. Mr. Blehl is a student of the business, a man of high ideals and one who is broad gauged in his outlook on life insurance in its various relationships.

borderline risk, hardly any better method than numerical rating can be conceived. That this manner of exercising selection is safe and sound is evidenced by the fact that, by modifying the standard of selection, the actual mortality of a company may be lowered or permitted to increase within well defined limits.

However, changes are being made constantly and the non-conformist is breaking away from the established practices, as may be shown by several examples: A company evolved the plan of insuring a risk under condition that no benefit was payable if death occurred within the first three policy years, but thereafter the policy became in full benefit. Here, the applicant himself exercises selection in favor of the company, as he would not apply for insurance if apprehensive of early demise. The mortality on this business was found to be favorable, but the plan was not very popular.

Early Beginning of "Group Insurance"

In the last decade group insurance has been written in considerable volume. There is nothing new in one policy being issued to cover several lives, for policy No. 268 of a certain company, issued in the early years of insurance, covered the lives of one white man and ten slaves; but this was hardly group insurance as now known.

Group insurance is issued under a single policy to all persons, not less than a specified number, in the employ of one concern. Usually medical examinations are waived entirely; but, strange to say, notwithstanding this omission most efficient selection is exercised. In fact, group mortality experience does not differ greatly from that of risks individually selected. In considering group applications, a comprehensive survey of the situation is made, attention being given to the group as distinguished from the individual, the nature of the occupations involved, the general type of employes, their habitat, manner of living, and so on. The proportion of the premium which the employer will pay is

and in localities where insurance laws were interpreted more strictly than in the United States. The innovation met with gratifying results from its inception, and one company now reports that on non-medically examined risks its mortality is consistently better than that experienced on examined risks. Now many companies in Canada and the United States have followed suit and the volume of non-medical insurance is growing rapidly.

Pay More Attention to Applications and Inspection

While medical examinations, heretofore thought to be indispensable, have been eliminated in these cases, by way of compensation additional stress has been laid upon other sources of information, and conditions have been imposed. The agent obtains responses to the questions formerly asked by the medical examiner and in some companies the applications have been extended; inspections are given greater weight than heretofore; the amount of insurance is limited; and the limits of age are restricted. Above all, the character of the agent presenting the application is taken into consideration, and his reliability has as much effect on the mortality of the business he produces as any other element which enters the appraisal of the risks. It is generally required that all business within the limits set shall be submitted on non-medical basis.

Judging by results achieved, non-medical underwriting is as effective as if full medical examinations had been made. The facts freely given are as accurate as those elicited by the paid examiner, who, with methods necessarily inquisitorial, tempts one to a matching of wits; and herein may lie psychological justification for the elimination of medical examinations.

New Developments Continue to Bring New Methods

The avoidance of medical examinations is also a characteristic of the recent method of writing insurance known as the budget, payroll or salary deduction plan. The cases which have been



I. SMITH HOMANS
Vice-President Commonwealth Life

gations by deferred settlements has usually been limited. The sum due under a policy has been permitted to remain with the company at a guaranteed rate of interest during the continuation of a fixed status, at the termination of which it is paid to a designated beneficiary; has been paid in installments for a fixed period; or has been paid in installments over a period certain and thereafter as the payee survives. The payee has usually been a single individual. If deviations from these deferred settlement options are desired, the insured was advised to provide for them by will, or to make the proceeds payable to a trustee to dispose of under special instructions.

Duties of Trustee Pointed Out

A trustee can handle any assets which come into his possession—cash, securities or goods—as long as he conforms to the conditions of the trust, the laws of the state and the sanction of the court. But unless special conditions exist, investments must be made in designated securities, generally specified by law. Each individual trust must be segregated. The trustee is not responsible for depreciation in principal, nor for loss of interest, provided the funds are legally invested; and consequently the fund may fluctuate both in principal and interest. For the services performed by the trustee, administration fees are charged.

With an insurance company, however, the funds are limited to cash proceeds of matured policies. Such funds are not required to be segregated, but may be included in the general investments of



A Record of Service

THE year 1925 marks the seventy-fourth anniversary of the Massachusetts Mutual Life Insurance Company. Ever since 1851 this Company has furnished unexcelled life insurance protection at a low net cost and has maintained its record of unswerving loyalty to its policyholders. The years have brought wonderful growth and prosperity. To-day, as in the past, the whole personnel of the company is imbued with the spirit of service, a spirit that permeates the entire activity of the organization. The capable and energetic man or woman who represents the Massachusetts Mutual is sure to succeed as a life underwriter.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
 SPRINGFIELD, MASSACHUSETTS :: :: :: :: ORGANIZED 1851

MORE THAN A BILLION DOLLARS OF INSURANCE IN FORCE

Life Insurance Selling a Profession

LIFE Insurance selling is developing into a profession. No organization can do more to bring this about than the American Life Convention.

The counsellor-client relationship between a Life Insurance salesman and his prospect will result in better service to the prospect and more business to the salesman.

When the public recognizes the Life Insurance salesman as a professional man capable of advising them on their most important problems, the benefits of Life Insurance will be spread over a larger proportion of the population, and those covered will be more adequately covered than they are today.

The Great Northern Life recognizes the trend toward the professional attitude, and encourages its salesmen to give true professional service. The rewards take care of themselves.

Great Northern Life Insurance Company

110 South Dearborn Street, Chicago

the company. The payee is insured against loss of principal. He is guaranteed a minimum rate of interest, and generally additional interest is paid. There are no administration charges.

These constitute the principal differences in the handling of funds by a trustee and the making of deferred payments by an insurance company, and it appears life companies in some aspects offer certain distinct advantages. Lately, for several reasons, the activities of insurance companies in this direction have been greatly extended, so that now increasingly complicated agreements are being assumed, giving rise to new and intricate problems.

To assist in the preparation of deferred settlement agreements certain devices are used. Standard clauses, appropriately numbered, are established, and when a specific case arises, a mosaic is made by selecting the proper clauses, leaving only one or two which may need special attention. Care should be taken that the agreement is technically correct, and also that it reflects the real wishes of the insured, who may not understand the intricate ramifications of what seems to him to be a simple request. The agreement may be endorsed on the policy, but more often it is made a separate paper, executed both by insured and company.

Must Pay Especial Care to Legal Requirements

Not only must the general rules of legal practice be followed, but frequently local legal requirements demand special attention. Care should be taken that the clauses do not permit the exercise of discretion by the insurance company of the manner in which the proceeds are to be dispensed. Some companies report that the number of deferred settlement agreements made within the last year is greater than for the preceding five years.

Here are some comparatively simple actual cases recently noted: (1) Installments shall be paid over a fixed period to several beneficiaries, or to their issue surviving at their death; (2) the net sum shall be held at interest, and payments made from the same to surviving sons as they attain ages forty and forty-five, one-half share on each occasion, and in like manner to surviving daughters as they attain ages fifty and fifty-five; (3) the payment of installments to a widow over a fixed period and thereafter as long as she survives, the fixed payments, however, to revert to a surviving son or his issue, if the widow dies or remarries.

Strictly speaking, these funds are not trusts, but are merely deferred settlements; insurance companies are not bound by the fundamental conditions under which trustees perform their functions.

The Office Record Problem Important to Young Companies

With the growth of a company a time is soon reached when the keeping of records is found in many respects to be more cheaply, accurately and expeditiously handled by machinery than by hand. Tabulating machines, for example, may be utilized in handling such records as policy valuation cards, from which may also be obtained policy exhibit details; classifications of insurance in force; new business and cancellations by plan, age and year of issue; the cost of mortality, and net premiums.

Mortality cards, from which all kinds of mortality and statistical records may be obtained, can be handled by machines, as well as lapse, persistency and agency records; double indemnity and total disability valuation and statistical records; policy loans data; real estate mortgages data; due and deferred premiums; payments and accumulations of policy dividends; insurance by states; due and accrued interest; death claims; reinsurance; pay checks.

Not only do the problems relate purely to life insurance itself, but entirely new roads are being opened along

collateral lines as well. Because the financial interests involved are so immense, the business is coming more and more to demand specialists and experts in an amazing array of subjects, such as:

General business administration; salesmanship and handling of agencies for production of new business; collecting agencies for retaining old business on the books; management of real estate, real estate mortgage loaning, collateral loans, handling of statistics, accounting, medical knowledge, actuarial knowledge, legal knowledge, banking business, trust business, personnel and welfare work, accident and health insurance, taxation.

Problems Vary With Different Companies

In all of these subjects, the problems differ with the various companies and also in their general aspects are changing from year to year. Their proper administration requires a high degree of skill and fidelity. In the field of life insurance we are charged with the duty of fending off the poverty of old age, in supplying the needs of the disabled and in supporting the widow and the orphan. The demands on all our re-



FRANCIS V. KEESLING
Vice-President West Coast Life

sources of strength and ability are insistent and increasing; the confidence reposed in the companies and their officers is almost infinite.

Graham Gave Talk to Legal Section Members

George Graham, president of the American Life Convention, spoke before the Legal Section Monday. He referred to the part time agent and his value to the business. The part time attorney, he stated, is in touch with other activities and hence brings to life insurance the broader view. Mr. Graham declared that many errors in court procedure would not have been there had the insurance attorneys possessed greater knowledge of life insurance fundamentals.

The legal profession, he asserted, is responsible for many of the laws. It is entirely responsible for legal procedure. The laymen, he averred, believe that present legal procedure promotes rather than checks crime. Crime causes vast waste. In the registration area, 4,000 murders in a year are due to firearms, 4,000 suicides and 3,000 accidental deaths. The life companies pay out between \$6,000,000 and \$7,000,000 yearly in death claims traceable to firearms.

An aroused public opinion is needed, he held, to combat this criminal tendency and correct the condition. The medical profession is doing much to fight disease. The legal profession, Mr. Graham contended, should try to simplify legal procedure and lead the campaign against crime.



Entrance to the Home of Real—Not Promised—
Co-operation

President, A. L. Hereford
Vice-President, Wm. Schmidt
Vice-President, Charles J. Riefler
Secretary, L. M. Dixon
Treasurer, C. L. Simmons

SPRINGFIELD LIFE

A Mutual Legal Reserve Life Insurance Company, incorporated and operating under the life insurance laws of Illinois.

HOME OFFICE

SPRINGFIELD, ILLINOIS

All Standard Life Policies written, with or without provision for Total and Permanent Disability, Premium Waiver and Double Indemnity. Child's Educational Endowment, and Child's Twenty Year Endowment, as well as Joint and Income Policies, are feature contracts.

Our Policy—A *Springfield Life Policy*—Is the Best Policy

Some excellent territory now open to parties able to qualify as General Agents. *First come first served.*

AGENTS WANTED

Exceptionally liberal and attractive contracts offered aggressive workers and successful producers.

TO AGENTS WHO CAN WE OFFER:

- (1) Liberal First Year Commissions
- (2) Liberal Renewals—insuring permanent income
- (3) Actual—not promised—Home Office Co-operation
- (4) Large Actual Prospect Lists

BUSINESS IN FORCE, \$80,000,000

ADMITTED ASSETS, \$5,333,556.12

SURPLUS FUNDS, \$566,352.03

Get in touch promptly with

SPRINGFIELD LIFE INSURANCE COMPANY

C. Hubert Anderson,
Superintendent of Agencies

A. L. Hereford, President
Springfield, Illinois

Sentiment in the Insurance Business

By E. W. RANDALL

"BUSINESS is business," says the hard-headed business man, when he is going to foreclose a widow's mortgage; if you should say to him, "Business is sentiment, and sentiment is good business," he would very likely think you were soft-headed as well as soft-hearted. "Business is business," said the caveman as he crouched in his cave and devoured his food while the others of his tribe shivered and starved outside. But one day he had a sentimental impulse to take to himself a mate. That was the beginning of the end of his isolation. He was bound to divide his food with her, or she would die on his hands. Then children came. They demanded food. His isolation, complete selfishness, were shattered forever.

And somehow he found that his surrender carried compensations. He had greater security, greater comfort, than in the days of his loneliness. His growing brain turned that germ of an idea over and over, and so gradually recognized the power of the community spirit—the spirit of cooperation. If half a dozen families built their huts together they were in a strategic position to defend themselves against a common enemy. It was a tremendous step in the evolution of the race. It meant union in the place of isolation. The strength of each man was multiplied by the strength of all the rest.

Just Recently That Lesson Was Extensively Applied

This idea dawned upon mankind a long time ago and yet it is only within the lifetime of men now living that this ideal of tribal cooperation was translated into the practical and efficient form of life insurance to any appreciable extent.

The conditions which fostered the

working-out of this modern form of an old idea were not unlike the primitive conditions which forced the cave-man into a communal association. New England was a wilderness. Scattered pioneers were surrounded by dangers. Mutual protection was the obvious need. Especially was protection needed for the defenseless widow and the helpless children. Haphazard help would not meet the situation, where all were living under stress, nor would charity. The New England life insurance companies, the pioneers in this country, were to meet a definite and urgent community need, to provide for the burial of the dead and the care of the living. It was sentiment, not selfishness, that laid the foundations for that vast organized system of cooperation which today, through more than 250 companies, shows admitted assets of well over \$11,000,000,000 and which, during the year 1924, distributed among policyholders and beneficiaries the amazing sum of \$1,280,000,000.

The Beginning of Life Insurance—Love

Life insurance is a business unique, in a class by itself, beginning as a small cooperative association of men and women banded together for the purpose of protecting the helpless. It has remained free from the stamp of commercialism. Not that there is any stigma on commerce in itself. Business is legitimate, and although conducted for a personal gain, its profits are justifiable. But insurance stands apart. It is rooted in a different impulse in human nature. Not self-preservation, but the preservation of others; not per-

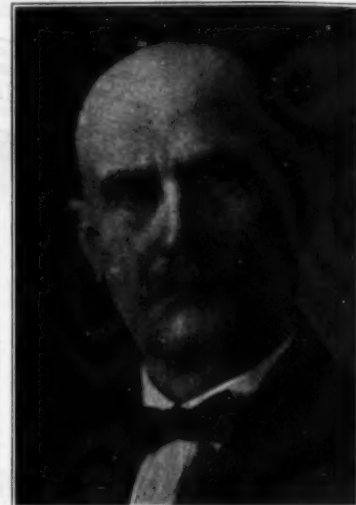
sonal advantage, not gain, not selfishness, but that other element of sentiment. The whole idea of insurance is based upon the desire to provide for those we love, even at a cost to ourselves.

This marvelous institution of organized sentiment is founded on spiritual impulses, but it conforms to the strictest laws of common sense. It has been tried, and found equal to all the contingencies of a complicated system of business in a fast growing country. Panics, pestilences, war, attacks of demagogues, unfair and unfavorable legislation—all the hindrances to human advancement and all the checks upon national and individual prosperity—have been met by life insurance. In the panics of the last fifty years, perhaps a million men have been saved from hopeless bankruptcy by life insurance. The last two or three years have been a severe strain upon the agricultural section of America. The farmers who have been able to borrow money upon their life insurance have survived and now have the prospect of a future. Some, and perhaps a considerable number of the small banking institutions, which must inevitably have failed but for the loan value of the policies carried by their borrowers and themselves, have been able to carry on. Insurance has been put to the test and has not been found wanting.

Insurance Is Usually the Entire Estate

It has been estimated that of the 35,000,000 Americans who carry life insurance, hardly 90 percent will leave any estate outside of this. Court records in

New York show that out of 100 men who die, three leave property worth \$10,000; 15 leave from \$2,000 to \$10,000; 82 leave no income-producing property at all. This means that of every hundred widows only 18 are left in com-



E. W. RANDALL
President Minnesota Mutual Life

fortable circumstances, 47 are obliged to go to work, no matter what their previous condition has been, and 35 are left in absolute want, helpless and dependent on charity.

As it was pointedly said by President Thornwell Jacobs of the Oglethorpe University: "When you write an insur-



OPENINGS AT

Boise, Idaho
Pocatello, Idaho
Springfield, Ind.
Fort Wayne, Ind.
South Bend, Ind.
Terre Haute, Ind.
Burlington, Ia.
Davenport, Ia.
Mason City, Ia.
Pueblo, Colo.
Grand Rapids, Mich.
Great Falls, Mont.
Helena, Mont.
Missoula, Mont.
Columbus, Ohio
Dayton, Ohio
Springfield, Ohio
Amarillo, Texas
El Paso, Texas
Cheyenne, Wyo.
Roanoke, Va.

"POOR RICHARD" said—

"All that glitters is not gold." Promises and Percentages may be made to "glitter"—BUT

The real gold that an Agency contract puts into YOUR pants pocket is the real measure of that contract.

DURING 1924 THE RENEWAL INCOME PAID MINNESOTA MUTUAL AGENTS AVERAGES

1. For Agencies less than five years old, \$3,500.
2. For Agencies up to seven years old, \$6,000.
3. For Agencies over ten years old, \$25,000.

REMEMBER THAT'S JUST RENEWALS

These men know how real gold glitters—and they know it paid them to get and keep an Agency contract that is right.

On Agency Matters Address
O. J. LACY
2nd Vice-President

THE MINNESOTA MUTUAL LIFE INSURANCE COMPANY ST. PAUL, MINNESOTA

Now a \$114,000,000 Company

FEDERAL Life Insurance Company

Isaac Miller Hamilton, President

DO YOU KNOW THAT:

1. This Company has been selected by the Chicago Daily Tribune, the Kansas City Star, the Denver Post, the St. Louis Post Dispatch, the St. Paul Daily News, the Atlanta Journal and other reputable newspapers to protect their readers?
2. This Company issues life insurance on the salary deduction plan?
3. This Company has over one million policyholders, all potential prospects for additional insurance and will furnish leads to representatives in certain territory.

If interested apply direct to Home Offices

FEDERAL LIFE BUILDING

168 North Michigan Ave.

CHICAGO, ILLINOIS

The PERFECT PROTECTION MAN

No Wonder He Smiles!

On September 16th

One Perfect Protection Man already paid for over \$1,500,000. Another paid for over \$750,000. Two others paid for over \$500,000. Ten others paid for over \$250,000. Seventeen others paid for over \$200,000.

And in the Whole Organization

One in every four full time representatives already paid for over \$100,000. These are Perfect Protection Men



And this is Perfect Protection

- \$ 50.00 weekly, for an unlimited period during disability by accident.
- 50.00 weekly, for 52 weeks during sickness.
- 3,200.00 every year for life, payable monthly if totally and permanently disabled by accident. No further premiums to pay and no deductions from the face of the life policy as the result of payments so received.
- 3,200.00 for one year, if totally and permanently disabled by disease and \$600.00 each year in monthly payments, thereafter for life. No further premiums to pay and no deductions from the face of the life policy as the result of payments so received.
- 5,000.00 payable upon natural death.
- 15,000.00 payable upon death by accident.

When You Met a Successful Man

HE was as much a stranger to you as "the man the world forgot." You knew nothing of his business, his finances or the clubs he frequented. Yet, you remembered him. It was just his enthusiasm, after all, that fixed him for all time in your memory.

Perfect Protection Men possess that rare quality which goes hand in hand with prosperity.

Perfect Protection Men are life underwriters—plus.

The Seven Points of RELIANCE Service

1. A direct contract with the Company with the general or state agent's commissions eliminated.
2. Unrestricted territory.
3. Perfect Protection—the service which succeeds when life insurance alone often fails.
4. The Reliance Branch Office system of miniature Home Offices which provide quick and adequate facilities for business transaction.
5. An equipped office in the Branch Office cities with no cost of overhead.
6. The personal counsel and cooperation of Reliance Supervisors—salaried Home Office representatives—in agency building.
7. Reliance Life, which gives its representatives the prestige of a strong, progressive institution.

By its administrative policy, this institution will never outgrow its ability to render personalized service to its agency representatives. Should you be interested in the unusual plan of Reliance Life operation, a letter to the Home Office will bring complete information.

RELIANCE LIFE

PERFECT



PROTECTION

THE RELIANCE LIFE INSURANCE COMPANY of PITTSBURGH
FARMERS BANK BUILDING, PITTSBURGH, PA.

ance policy, you are fixing it so that a father can be a father after he is buried. You are fixing it so that a family can be held together after its chief is gone. You are fixing it so that the living of the family's life and its aspirations for the education of its sons and daughters shall not be stopped by the hand of death. You are making it possible for a man to live after he is gone."

Sentiment Carries Insurance Much Farther

But the lesson does not end there. It goes on to include provision for great public educational institutions. It shows a way to provide for the building of churches, colleges, hospitals, and public improvements. And it thus extends a man's power for good beyond the term of his own life. It gives him a sort of immortality on this earth. "The evil that men do," says Shakespeare, "lives after them; the good too often is interred with their bones." But Shakespeare wrote that before the days of life insurance. The beneficent man may now feel assured that though his bones are interred, the vital part of him, the spirit that made him a helper of his kind in life, beloved of his fellows, will go on functioning indefinitely. The work of his lifetime will not be fruitless, nor will the wealth he has accumulated by his industry be dissipated by his heirs, if he avails himself of the services of the life insurance companies. These very agencies, which have helped him to accumulate wealth, will now help him to conserve it, and see that his beneficent intentions for the good of future generations are carried on in his name.

Manton Maverick of Chicago, vice-president of the Continental Casualty and its life insurance running mate, Continental Assurance, attended his first life meeting this year. He was at the Louisville convention. He is a prominent figure at casualty gatherings and meetings of insurance commissioners.

Report On American Service Bureau Made

The committee on the American Service Bureau reported that it is now on a self sustaining basis. It is making such increases each month in its operating income and profits that the committee predicts it will soon be earning a very substantial sum each year. President R. W. Stevens, Illinois Life, is chairman of the committee.

On Aug. 31, 1925, there was a deficit of \$34,590. There are \$131,142 in assets. The deficit Dec. 31, was \$47,285.

The committee states that in the declaration of trusts, the trustees appoint the directors of the Service Bureau, but there is no provision that the executive committee of the American Life Convention have any voice in the selection of directors. The committee does appoint the trustees.

At the New Orleans meeting a resolution was passed to the effect that the affairs of the Service Bureau as far as possible be subject to the supervision and direction of the executive committee. The committee has no legal authority over the bureau but practical effect is secured because out of seven directors, three are members of the Convention executive committee and Secretary T. W. Blackburn is a director.

The American Service Bureau is being efficiently managed by Vice-President Fisher E. Simmons.

Attorneys Had a Dinner

The Commonwealth Life of Louisville invited the members of the Legal Section to an informal dinner at the Louisville Country Club Tuesday evening. Graddy Cary, one of the attorneys for the company, was in charge.

General Manager H. R. Cunningham of the Montana Life and Insurance Commissioner S. M. Saufley of Kentucky sent telegraphic greetings.

Life Presidents' Body Was Ably Represented

The Life Presidents Association was officially represented by President J. D. Sage, Union Central; President F. H. Rhoads, Berkshire Life; Vice-President M. A. Linton, Provident Mutual. All were called to the platform. President Graham cited the fact that in 1914 at the Dallas meeting fraternal relations between the two bodies were established. The then president of the Union Central Life, Jesse R. Clark, headed the Presidents' Association delegation.

Work for the Good of the Business

Mr. Sage said there are 20 American Life Convention companies in the Presidents' body. Both organizations are working for the good of the business and the best interests of policyholders. Mr. Sage said that a body of Ohio taxpayers has organized to fight unjust taxes. He hopes policyholders will band together to protest against unjust taxation of life insurance. It should be the business of life companies, he asserted, to try to protect policyholders from tax burdens.

Conditions 20 Years Ago Contrasted with Today

Mr. Sage contrasted the conditions of the business today with those 20 years ago. There are now 348 companies and 90,000,000 policies. People today believe in life insurance. Companies as a whole are honestly managed. He said the Presidents' Association has 58 members.

Mr. Rhoads spoke of life insurance being a highly competitive business but showing a fine service and efficiency.

Mr. Linton urged an enlightened public opinion in favor of more harmonious public relations and international peace. He urged judicial decision instead of the arbitrament of arms to settle inter-

national issues. War is destructive to values and life insurance.

The office staff of the Presidents' Association was represented by Manager George T. Wight, Assistant Manager C. G. Taylor, Attorney F. G. Dunham, and Assistant Secretary Whitsitt.

Mr. Wight paid high tribute to Secretary T. W. Blackburn, saying it was the latter who did more to bring about harmonious relations between the two organizations. Mr. Taylor, formerly vice-president of the Atlantic Life and a former president of the American Life Convention, also spoke. He is one of the most likeable men in the business.

Simmons Family Stars In Golf Tournament

The Simmons family, Dr. E. G., Ted and Fletcher, figured prominently in the golf tournament. Monday was a dreary, rainy day for the qualifying rounds but the enthusiastic devotees of the ancient game ploughed through the heavy atmosphere. There was no golf dinner this year. The prize winners were:

Qualifying Round—Low gross score, T. M. Simmons, Pan-American; second low gross, Henry Abels, Franklin Life.

Putting Contest—Low score, T. M. Simmons; second low, Henry Abels.

First Flight—Winner, T. M. Simmons; runner up, F. E. Simmons, American Service Bureau.

Second Flight—Winner, C. F. Cross, American Life; runner up, E. G. Simmons, Pan-American.

Third Flight—Winner, J. H. Edwards, Kansas Life; runner up, C. H. Beckett, State Life.

Fourth Flight—Winner, E. B. Raub, Indianapolis Life; runner up, W. H. McBride, National Life & Accident.

Low Net Score Contest—Winner, C. F. Coffin, State Life.

Consolation Handicap—First, S. L. Phelps, Volunteer State; second, W. T. Grant, Business Men's Association.



"Protector of the Home"

WHY is Life Insurance commanding attention today?

Because each one of you in your own community has been patiently and carefully building up that *good will* so necessary to the success of any great business, no matter how fundamentally sound are its principles.

We wish to express our appreciation of the great service you are rendering all companies.

The Ohio National Life Insurance Company

T. W. APPLEBY, President

To Prospective Agents

The Outstanding Features of Life Insurance are:

Protection for your **Family** or **Business** during your active years,
Financial Provision for your **family** and **yourself** in old age.

YOU Preach This Six Days a Week—But Have You Provided For **yourself** For the Future?

The Protective Agency Contract of

The Federal Union Life Insurance Co., of Cincinnati, Ohio

Not only provides a liberal First Year and Renewal Commission to the Agent, but it also provides for the payment of renewals to his **wife or family** in case of **death** or to **himself** in case of **total disability**.

The Company issues policies on all standard forms, at non-participating rates, with the profit-sharing plan of premium reductions, thereby providing for the Lowest Rates consistent with absolute safety. Openings available in Ohio, Indiana, Kentucky, Illinois, West Virginia, Pennsylvania and Tennessee. If you are interested in a permanent connection along the above lines write,

Frank M. Peters, President
General Manager of Agencies

J. W. Knipping,
Agency Supervisor.

Revision of Taxation Needed, O'Leary Tells Life Convention

REVISION of both federal and state taxation laws is demanded by American business men as the basic principle of a taxation program laid before the American Life Convention Thursday by John W. O'Leary, president of the Chamber of Commerce of the United States.

The proposals advanced by Mr. O'Leary call for a reduction in federal levies, with particular attention to surtax levies and indirect taxes; elimination of federal estate and inheritance imposts; abolition of publicity provisions of the federal income tax law; the placing of state taxation systems upon a sound basis, both from an economic point of view and a business point of view, and a constitutional amendment permitting taxation of public security issues.

Assuming that the next session of congress will reduce federal taxation, the speaker urged that reduction be made on a scientific basis, and that it be designed to bring about the greatest possible measure of relief to all classes of taxpayers.

Had Spoken First Before Board of Trade

Mr. O'Leary spoke at the Board of Trade luncheon at noon. He thought he was to speak at the American Life Convention in the morning. He planned to cover the same ground in a general way at both functions. There was a large attendance of the American Life Convention members at the Board of Trade luncheon. Mr. O'Leary acknowledged when he rose to speak before the American Life Convention that he was somewhat embarrassed. Mr. O'Leary urged business to regulate itself along right lines and not wait for the government to do the regulating. Isaac Miller Ham-

ilton of the Federal Life expressed the appreciation of the members to Mr. O'Leary.

The first speaker on the program Thursday afternoon was Clarence E. Linz, first vice-president of the Southland Life. Mr. Linz first came to the life insurance domain through the investment department. Mr. Linz in his work saw the waste in loans to agents. His company delegated to him the duty of working out a plan to eliminate advances. In his address he outlined the course the company pursued.

Clifford Ireland Spoke to the Convention

Clifford Ireland, director of trade and commerce of Illinois, spoke Thursday and emphasized the importance of contact between insurance company officials and state supervisors. It is an educating influence. The insurance business is a potent factor in shaping the destiny of the country. The insurance business, he declared, represents the best brains and ability of the land. Insurance has no need to apologize. Mr. Ireland deprecates any movement toward federal supervision. There is a mutuality of interest between the supervisors and supervised. State supervision, he said, should be helpful and not dictatorial. The insurance interests contribute \$4,000,000 to Illinois and but 3½ percent goes to insurance service. He attacked unjust tax burdens on insurance.

Corn Growers Body Explained by Kuhns

President George Kuhns of the Bankers Life of Iowa told about the efforts of Iowa corn growers to organize a national body. There are 52,000,000 people living in the rural areas. Corn as a rule

will sell this year at 50 cents a bushel but it costs 60 cents to raise it. Mr. Kuhns is interested in creating a market for surplus corn. There are 100,000,000 bushels of corn a year that can be used for manufacturing sugar. Most sugar is imported from Cuba. This, he said, opens a big field. A bushel of corn will make 25 pounds of sugar. It makes a white sugar regardless of color of corn.

Seay Presents Report of Committee on Lapses

Harry L. Seay, president of the Southland Life, was asked to present the report for the committee on lapses. He said the great bulk of the work had been done by E. E. Rhodes of the Mutual Benefit and O. J. Arnold, who has just been elected president of the Northwestern National Life. To Mr. Arnold, he said, belongs the credit for getting up the report. Mr. Arnold was called on to tell the features of the report. President Graham said the report of the committee indicated that the Convention is aiming to get at facts and not impressions.

At the executive session it was voted to add to the standing committees one on investments. There was no discussion over the American Service Bureau. A vote of thanks was tendered the management and the convention executive committee on the excellent work done on the bureau.

Report of Permanent Disability Committee

Isaac Miller Hamilton reported for the total and permanent disability committee. The paramount issue is the proper rates to charge. Much interest centers about the forthcoming report on the subject from the Actuarial Society of which Arthur Hunter is chairman. It has collected a large amount of data. The clause has developed rapidly in liberality. The committee believes the trend will be toward more uniformity. The disability claims require different treatment from death claims. There is much misunderstanding as to the scope

of the clause on part of policyholders. Many regard it as health and accident coverage. Physicians and relatives of the claimants are confused and sometimes the agents themselves are ignorant. Companies should educate agents as to what the clause means and covers. Only 12 cases concerning the interpretation of disability clauses have reached the courts of last resort.

It was felt by Mr. Hamelton that the powers of the committee should be enlarged so that it could investigate more thoroughly as to rates and reserves and report to the Convention. This was referred to the executive committee.

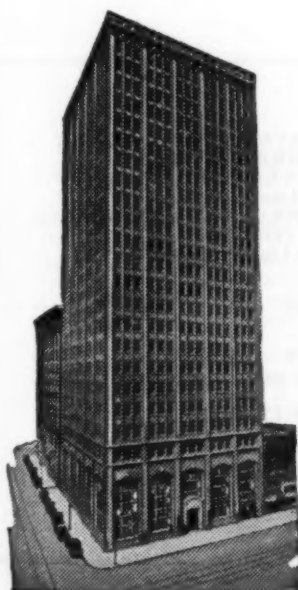
Discussion on the Non-Medical System

At the close of Thursday's afternoon session there was some discussion over the non-medical plan. Some claimed that in England salaried agents can be controlled by the companies and can be relied on more than commission men. F. B. Mead claimed that compensation was based on production in the long run and the method of paying agents did not matter. George Kuhns of the Bankers Life held the difference is vital. Gordon Thomson of the West Coast said that while branch office companies might feel they had a better selection than general agency companies, he doubted it.

It was brought out that the mortality of fraud applications is higher in the earlier years. Mr. Thomson said there are more fraudulent applications from the tropics than elsewhere.

C. L. Ayres of the American Life said Canadian companies started with \$1,000 non-medical and then increased to \$2,000. Their mortality on non-medical was 2 percent less than examined risks. They conducted a bureau to clear their non-medical applications but found but few applied to more than one company, so it was discontinued in May.

The Siamese twins, J. V. Barry of the Metropolitan Life and Henry F. Tyrrell of the Northwestern Mutual Life, graced the meeting.



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President

Tom Poyner
Vice-President

Southern Union Service

THIS COMPANY PUTS INTO ACTUAL PRACTICE WHAT EVERY FIELD MAN KNOWS IS OF MOST VALUE TO HIM—THE PROMPT HANDLING OF HIS BUSINESS WITH UNIFORM ACTION IN UNDERWRITING PLUS HOME OFFICE SUPPORT AND ENCOURAGEMENT. (The following analysis covers the first six months' business for 1925 and reflects the service rendered by the Medical Department.)

MEDICAL DEPARTMENT—

1 day service.....	2239
2 day service.....	344
3 day service.....	128
4 day service.....	126
Over 4 days.....	607

3444

POLICY DEPARTMENT—

1 day service.....	2818
2 day service.....	514
Over 2 days.....	72
Postponed	11
Rejected	29

To both experienced and inexperienced men who can qualify as to character and energy we offer an opportunity to become identified with a progressive old line Texas Company where their efforts are rewarded with good service and close Home-Office co-operation.

Southern Union Life Insurance Company

FORT WORTH, TEXAS

BANKERS LIFE INSURANCE COMPANY OF NEBRASKA

Home Office, Lincoln, Nebraska
Assets - - \$25,100,000.00

Old Line Bankers Life Ins. Co.,
Lincoln, Nebraska.

MAYWOOD, ILLINOIS, July 29, 1925.

DEAR SIR: This evening your agent, Mr. John M. Swatek, handed me a check for \$696.65, cash settlement for my twenty year policy which I held in your Company. Considering that my family had, for twenty years, the protection of a thousand dollar death benefit, should I have passed out, and also considering that the annual premium was \$26.75, I feel this cash settlement is very generous.

I would advice all young teachers and business women to carry such a policy as early in life as possible.

Thanking you for your prompt attention to this matter, I am

Yours most respectfully,

Age 24

CARRIE F. WALLINGSFORD.

For full particulars consult one of our agents or write the Home Office, The Old Line Bankers Life Insurance Company, Lincoln, Nebraska.

**TWENTY PAYMENT LIFE POLICY
DEFERRED DIVIDEND
TWENTY YEAR SETTLEMENT**
Matured in the
**OLD LINE BANKERS LIFE INSURANCE
COMPANY**
of Lincoln, Nebr.

Name of insured.....Carrie F. Wallingsford
Residence.....Maywood, Illinois
Amount of policy.....\$1000.00
Total premiums paid.....535.00

SETTLEMENT

Total cash paid Mrs. Wallingsford....\$696.65
And twenty years' insurance for nothing.

Bankers Life Insurance Company,
Lincoln, Nebraska.

CHICAGO, ILL., August 13, 1925.

GENTLEMEN: Fifteen years ago I took out your deferred policy No. 37215 Fifteen payment bond which matured today.

Your Mr. C. F. Winegar, District Agent, called at the office this morning with your company's check for \$233.43, representing surplus accumulation, and a fully paid up participating policy for \$1,000.00, which will continue to pay dividends for the balance of my life.

I have paid into your company \$495.00, which means I have had protection for \$1,000.00 for fifteen years at a cost of \$261.57.

I am well pleased with the settlement and I am satisfied your company has done as much as could be expected.

Yours truly,

Age 23

F. C. COURT.

For full particulars consult one of our agents or write the Home Office, The Old Line Bankers Life Insurance Company, Lincoln, Nebraska.

**FIFTEEN PAYMENT LIFE POLICY
DEFERRED DIVIDEND
FIFTEEN YEAR SETTLEMENT**
Matured in the
**OLD LINE BANKERS LIFE INSURANCE
COMPANY**
of Lincoln, Nebr.

Name of insured.....Fred C. Court
Residence.....Oak Park, Ill.
Amount of policy.....\$1000.00
Total premiums paid.....\$495.75

SETTLEMENT

Total cash paid Mr. Court.....\$233.43
And a Paid-up Participating policy for
\$1000.00

Participating and Non-Participating Policies

Same Rates for Males and Females

Double Indemnity and Total and Permanent Disability Features

If interested in an agency or policy contract write Home Office, Lincoln, Nebraska

BANKERS LIFE INSURANCE COMPANY OF NEBRASKA

Home Office, Lincoln, Nebraska
Assets - - \$25,100,000.00

St. JOSEPH, MISSOURI, May 29, 1925.

Bankers Life Insurance Company,
Lincoln, Nebraska.

GENTLEMEN: This will acknowledge receipt of Company check for \$835.90, being cash surrender value of policy No. 19401.

This was an Ordinary Life policy taken at age 45, which I paid each year \$38.95. At age 65 this company has given me all my money back and 20 years insurance for nothing. Am pleased and want to thank you for prompt manner in settling claim.

Respectfully,

Age 45

MARY A. MAPLE.

For full particulars consult one of our agents or write the Home Office, The Old Line Bankers Life Insurance Company, Lincoln, Nebraska.

ORDINARY LIFE POLICY
DEFERRED DIVIDEND
TWENTY YEAR DISTRIBUTION
Matured in the
OLD LINE BANKERS LIFE INSURANCE
COMPANY
of Lincoln, Nebr.

Name of insured.....Mary A. Maple
Residence.....St. Joseph, Mo.
Amount of policy.....\$1000.00
Total premiums paid..... 779.00

SETTLEMENT

Total cash paid Mrs. Maple.....\$835.90
And 20 years' insurance for nothing.

ELGIN, NEBRASKA, July 3, 1925.

Bankers Life Insurance Company,
Lincoln, Nebraska.

GENTLEMEN: My policy No. 20297 for \$1000.00 matures today and I have just received from your agent, R. W. Cunningham of Oakdale, Nebr., your check for the surplus credited to this policy, amounting to \$438.78. I have made 10 annual payments of \$57.70 each or a total of \$577.00. I am also receiving a paid up policy for \$1000.00 which will pay me a dividend as long as I live. Three of my children have policies in your company, and I also took out a new policy in your company last year for \$1000.00 more.

I wish to thank you very sincerely for the kind and courteous treatment which I have received, as well as for the check.

Very truly yours,

Age 39

MELVINA I. DERRY.

For full particulars consult one of our agents or write the Home Office, The Old Line Bankers Life Insurance Company, Lincoln, Nebraska.

TEN PAYMENT LIFE POLICY
DEFERRED DIVIDEND
TWENTY YEAR SETTLEMENT
Matured in the
OLD LINE BANKERS LIFE INSURANCE
COMPANY
of Lincoln, Nebr.

Name of insured.....Melvina I. Derry
Residence.....Elgin, Nebr.
Amount of policy.....\$1000.00
Total premiums paid..... 577.00

SETTLEMENT

Total cash paid Mrs. Derry.....\$438.78
And a Paid-up Participating policy for
\$1000.00

Participating and Non-Participating Policies

Same Rates for Males and Females

Double Indemnity and Total and Permanent Disability Features

If interested in an agency or policy contract write Home Office, Lincoln, Nebraska

Importance and Need of Inspections

BY JOHN M. LAIRD
Secretary Connecticut General Life

THE modern inspection report is an important factor in the selection and classification of risks. The prospect answers questions in the application; the agent submits it with such comments as seem appropriate; the doctor reports on the examination; then the inspector gives a cross section of the man's life as seen by his neighbors and business associates. The inspection report not only checks the findings of the agent and doctor but often throws additional light on the acceptability of the risk. Every now and then the inspector finds the applicant has in the past complained of some significant ailment but has failed to tell the examining physician; or the inspector may make an unfavorable report on habits or finances.

The experienced salesman who selects his clients with care has few applications declined on account of inspection. On the other hand, the indifferent agent may have an undue proportion of rejected risks. In a good agency, probably only one percent of the business submitted is rejected solely on account of unfavorable inspection. The unexpected declination of a good physical risk always hurts, but the loyal and far-sighted field man appreciates that the loss of one percent of his business on account of inspections is offset by the fact that in this way he builds up a better clientele of policyholders. Furthermore, the elimination of these unacceptable prospects enables the company to give insurance to the approved risks at lower net cost.

Reliability of Inspection Service Has Become Greater

The inspection service has greatly improved in the last decade. Although we still have an occasional complaint about

the way in which a report has been handled or about the information conveyed, the modern inspection service is excellent. The reports are made by either salaried inspectors or part-time men who receive a fee for each report. Salaried inspectors work chiefly in the cities and are well fitted by training and experience to weigh evidence and report facts with accuracy and without prejudice. Part-time men work chiefly in rural communities and are usually in a position to report from personal knowledge of the applicant.

With the advent of the non-medical and group plans of writing life insurance, there has come an even greater need than has heretofore existed for competent inspection. The report of the inspector now often takes the place of the examiner's report. Mr. Laird did more than touch the high spots when he spoke on this new development.

Although the inspector gets close enough to the applicant to secure reliable information, he tries to complete his investigation without the knowledge of the applicant. Occasionally the prospect hears of the inquiry and gets sore because the company put "detectives" on his trail, but such cases are extremely rare. Usually the inspector has sufficient tact to obtain the information without arousing antagonism.

Florida Presents Real Problems

Certain communities present special problems for the inspector. In New York, a man's habits may be a closed

book even to his business associates and neighbors. In Hollywood, reports must be carefully checked to be sure that the information has not been colored by popularity or professional jealousy. Florida is today one of the most difficult states. Many people have arrived within the last few months, some have left bad records at home, others have apparently become rich over night.

If a report contains unfavorable information, the branch office of the inspection bureau checks up through independent sources. If contradictory

information is received, every effort is made to clear up the discrepancies before sending the report to the insurance company, which in turn checks this report against the information furnished by the agent, applicant and medical examiner. Occasionally another inspection is made by a different inspection company. In one instance the applicant lived in New York City but his record was traced back to Los Angeles and then to Calgary.

Inspection May Bring More Favorable Report

Sometimes the inspection is more favorable than the agent's story. In

one case the agent said the applicant had taken the "Keeley Cure" but the inspection gave no such history. Further investigation revealed that what he really took was not the "Keeley Cure" but merely a Turkish bath.

However valuable may be the "regular" inspection on policies from \$1,000 up, a more far-reaching inspection is frequently desired on applications for a large amount. This more complete in-



JOHN M. LAIRD
Secretary Connecticut General Life

spection on large policies may be furnished as part of the regular service or in the form of a special service report. In a recent case, one insurance company which does not use the special service report issued \$200,000 on a favorable regular report. The case was written in Chicago on a resident of Florida, but the special service report obtained by another insurance company three days later brought out that two months previously the applicant, harassed by financial difficulties, had tried to commit suicide in Cleveland.

New Benefits Demand More Careful Inspection

Many life insurance policies now contain disability and double indemnity benefits, which are so liberal that they require more careful underwriting than accident and health insurance as they cannot be canceled if conditions become unfavorable.

What lessons can the life insurance underwriter learn from the experience of accident and health companies? If the policy provides only a death benefit, it may be issued to a rich man even though he has no occupation or actual earnings. If, however, the policy provides indemnity for disability, the total amount of indemnity should be considerably less than his average earnings. In accident and health insurance, many risks are reinspected each year and if there has been a falling-off in earnings or any other unfavorable development, the company gets off the risk. Under disability benefits with life insurance where there is no opportunity to cancel, the underwriter should know the present earnings, the probable earnings in the future and a definite description of the occupational duties in order to determine the exact rating for this special coverage.

Change of Methods on Small Policies

For several years some underwriters have felt that on small policies the company hardly needs both the medical examination and the inspection report. Some companies have omitted the in-

Great Republic Life Insurance Company

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One of the most progressive and fast growing companies in the West

NOW operating in California, Arizona, New Mexico, Texas, Oklahoma, Kansas, Missouri and Arkansas, and contemplates enlarging its field shortly by entering other states.

In connection with this, a number of new general agencies will be opened.

Liberal commissions and attractive policies.

EXPERIENCED and Successful Life Underwriters who desire to Build a Profitable Future should communicate with

W. H. SAVAGE, Vice-President

Great Republic Life Building

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Los Angeles, California

spection and relied entirely on the medical report. More recently there has been a tendency to omit the medical examination and rely entirely on the inspection. Even with a full medical examination, the inspector must watch for medical impairments such as tubercular family history and personal history of illness. The inspector probably devotes more attention now to the medical side on all risks. As they are laymen their reports are based on hearsay, but they can at least sound a warning note.

Under salary savings insurance, the employer gives an impetus to the insurance idea and permits the premiums to be deducted from the payroll at the request of the individual. In many cases no medical examination is required and the company relies on the inspection. This puts the responsibility on the inspector, as when the insurance is first announced in any plant, there is a tendency for the "lame ducks" to present themselves for insurance. If this business is to be properly selected without medical examination, the agent must conduct his campaign with the utmost tact and the inspector must in turn furnish first-class reports. The inspector can get close to the employer and secure first-hand information in the plant but he must personally investigate home surroundings and habits.

Board of Trade Gave Luncheon to O'Leary

The Louisville Board of Trade gave a luncheon Thursday in honor of President John W. O'Leary of the United States Chamber of Commerce who spoke. The members of the American Life Convention were invited to the function. Mr. O'Leary spoke before the Convention Thursday afternoon. He was accompanied to Louisville by James L. Madden, manager of the insurance department of the United States Chamber.

APPLICATION OF BUSINESS PRINCIPLES IN THE AGENCY (CONTINUED FROM PAGE 12)

transition from a credit to a cash basis is that we did not lose a single agent by virtue of the change.

With our existing organization producing good business with happiness and profit to the individual agents and company, we then attacked the problem of increasing production. There were two ways to accomplish this: First, increase the production of the existing force, and second, increase the force. Again following ordinary business principles, we decided that both these methods could be employed at one time through the use of specially trained men who could visit and assist our agents and also procure new agents.

Selecting Men to Sell the Company

We went to the best colleges of our state and in one way or another interested young graduates in the possibilities of agency work. Dozens were interviewed. Finally ten men were employed, placed on the pay roll and started to our agency school with the understanding that a weeding out would take place on completion of the training period, and, further, of those given the opportunity to try actual field work for four months only about a half dozen would be retained permanently.

The training work was vigorous and intense, but the men were sincere and earnest. Again skipping the details, we now have a corps of supervisors who are industrious, intelligent and trained in our methods. They too believe in the "cash and carry plan" of no advances and cash for the net with the application, and they are selling this idea to new men. The results from this plan are very satisfactory.

James C. Jones, Sr., and James C. Jones, Jr., father and son, general counsel of the American National Life of St. Louis, are prominent in the Legal Section.

SOUTHLAND LIFE INSURANCE COMPANY

HARRY L. SEAY
PRESIDENT



HOME OFFICE - DALLAS

Partial View Dallas Business District

The Southland Life is entering new States as proper men are found to handle general and district agencies. We want good men in Minnesota and Indiana now. Inquiries from other States invited.

Address Charles E. Lipp, Vice President & Treasurer
SOUTHLAND LIFE INSURANCE COMPANY
DALLAS, TEXAS

Effect of Kansas Notice Law of 1925

BY LEROY A. LINCOLN
General Attorney Metropolitan Life

IN 1916 the life insurance world was startled by the decision of the supreme court of Kansas that the non-forfeiture law, passed by the Kansas legislature in 1913, required, in effect, 60 days' notice before a life insurance policy could be lapsed in that state for non-payment of premium. Subsequently the industrial life companies were dismayed by the ruling of the same court in 1919, that that law required the same notice in the case of industrial policies. Repeated efforts to persuade the Kansas legislature to correct what was undoubtedly a judicial extension of the notice originally intended to be required, were ineffectual until, in 1923, an amendment was adopted which exempted from the operation of the notice law industrial policies providing a grace period of at least four weeks. Then, at the recent session the former law was repealed and a new law enacted, so as to require only 30 days' notice in the case of ordinary policies, and the situation seemed to be

relieved, but a new question has been presented.

It is now suggested that the notice law of 1925 may apply only to policies issued after the date when it took effect, Feb. 27, 1925. If this be true, then we still have to observe the abortive 60 day rule as to some, perhaps all, of the policies which we had outstanding on that date. The legal question involved is whether the statute of 1925 is retrospective in its operation and this embraces another question, whether the provisions of the preceding statute constituted a part of the "obligation" of the respective life insurance policies issued thereunder so that, to construe the 1925 statute as applicable thereto would render it unconstitutional as respects article 1, section 10 of the federal constitution.

The statute of 1913 first came before the courts of Kansas in the case of *Lightner vs. Prudential*, 97 Kansas 97,

154 Pacific 327. That case involved a policy issued in August, 1912, to a person then residing in Nebraska. The court disposed of the case by holding that the policy was a Nebraska contract and covered by the laws of that state and that there was no forfeiture law in Nebraska similar to the Kansas law. However, disregarding the law of Nebraska, the court went on to say, quite unnecessarily for the disposition of the case, that, inasmuch as the policy was issued in August, 1912, the law could not be held to apply to this policy for the reason that, as the court said:

"The statute makes a radical change in the terms of the policy, a change which affects the rights of the parties thereto and which, if intended to apply to policies issued before the passage of the act, must be held in violation of section 10 of article 1 of the constitution of the United States, prohibiting the

states from passing any law impairing the obligation of contracts."

Priest Case Gave Startling Decision for Life Insurance

Following the *Lightner* case came the case of *Priest vs. Bankers Life Association*, 161 Pacific 630, decided by the Supreme Court of Kansas, Dec. 9, 1916. It was this case which so startled the life insurance world by reason of the statement made by the court that notice under the Kansas nonforfeiture law could not be effectively given until the expiration of the grace period provided in the policy. The case actually turned, however, on the point of retrospectivity discussed in the *Lightner* case. The policy was issued before the statute took effect and the defendant contended that if the statute were to apply, the statute would be void, as impairing the obligation of the contract. The court stated its position as follows: "The conclusion reached in the *Lightner* case, that the statute makes a radical change in the terms of the contract, a change materially affecting the rights and obligations of the parties, is adhered to."

The plaintiff, to avoid the effect of the contention that the statute was not retrospective, alleged that the statute affected nothing but remedy. The court considered this contention and reached the conclusion that the statute, if applied retrospectively, would actually impair the obligation of previous contracts and was not to be considered as merely affecting the remedy.

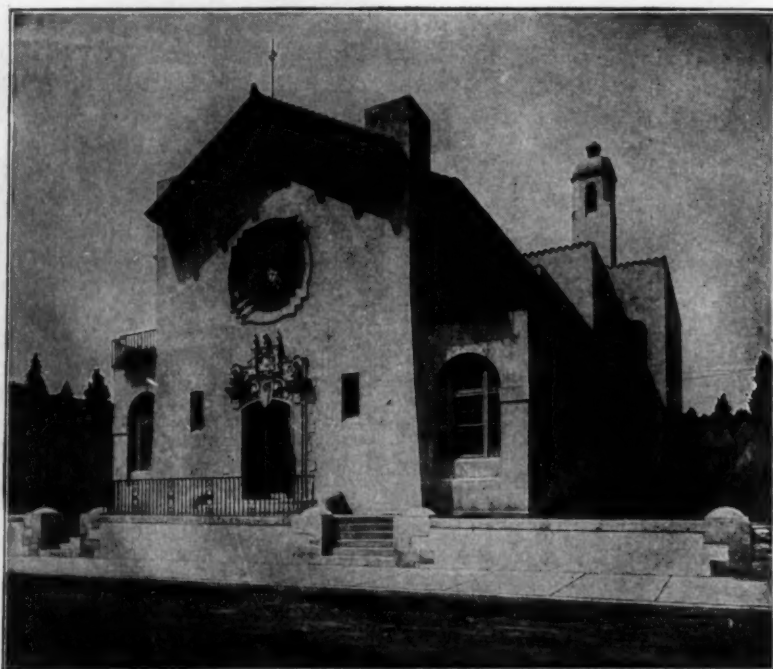
Must Distinguish Effects of Laws on Contracts

It must be recognized that there are laws which, while in force, enter into and become a part of the obligation of any contract which may be made on the subject but they are to be distinguished and have repeatedly been distinguished from those laws which go no further than to prevent or restrict the operation of the contract, as distinguished from the obligation of the contracting parties.

Let us review such decisions as there are on this subject in the light of this distinction. The leading case may be said to be *Rosenplanter vs. Provident Savings Life*, 96 Federal 721, decided by the United States circuit court of appeals, sixth circuit, in 1899. This case related to the amendment to the New York notice law, as provided in the general revision of the New York laws of 1892. The policy had been issued in 1899 and was construed by the court to be a term insurance contract for one year. The act of 1892, by express terms, excepted term insurance contracts for one year or less. The earlier statute of 1877 which required notice as a prerequisite to forfeiture had not excepted term insurance policies. The act of 1892, by the way, expressly repealed the act of 1877, just as the 1925 Kansas notice law expressly repeals the preceding law.

Did Not Impair the Obligation of Contract

In the *Rosenplanter* case, the last premium was paid April 1, 1891 and the insured died Sept. 5, 1894. Some notice had been given, but the court held that it was insufficient, and the decision finally turned on the question whether any notice was necessary in the case of a term policy. The plaintiff contended that the act of 1877 which applied to term policies, was controlling and that no valid notice having been given, the policy was not forfeited. The court held that the contract which the parties themselves made, that is, the policy actually issued, had provided that failure to renew it according to its conditions would put an end to the policy. The act of 1877 had stepped in, however,



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GEORGE GRAHAM, *Vice-President*

V. F. LARSON, *Secretary*

and forbade forfeiture without a notice. The court said:

"The subsequent repeal of this statute does not impair the obligation of the contract with respect to premiums which mature thereafter. The repeal simply permits the contract into which the parties had entered to be enforced according to its own terms and conditions."

The court cites several cases to the proposition that "laws repealing laws which prevent the operation of contracts otherwise within the competency of the parties and permit their enforcement according to their terms, have never been regarded as laws impairing the obligation of contracts, or as an impairment of vested rights."

Cancellation of Policy Upheld by Court

The federal court again considered the question in *MacDougald vs. New York Life*, 146 Federal 674. In this case, the policy was held to date from June 30, 1895, and the premium for June 30, 1897, was not paid. The policy was cancelled by the company for default in premium July 14, 1898. No notice of premium was sent. The plaintiff claimed that the act of 1892, which forbade forfeiture without notice of premium, applied. The defendant claimed that the amendment of 1897, which took effect April 8, 1897, and, therefore, before the date of cancellation, should apply. The act of 1897 permitted forfeiture after one year even though no notice had been given. The court held that the act of 1897 applied and that the company properly canceled the policy, under its terms, notwithstanding the failure to give a notice which was required as a prerequisite under the statute in force when the policy was issued, but which was not required by the statute in force when the default occurred. The court quoted with approval the following language from *Mutual Life vs. Hill*, 193 U. S. 551:

"The courts have always set their faces against an insurance company which, having received its premiums, has sought by technical defenses, to avoid payment, and in like manner should they set their faces against an effort to exact payment from an insurance company when the premiums have deliberately been left unpaid."

Kansas Act of 1925 Repealed Earlier Law

In this connection, it will be observed that while the New York act of 1892 did contain a saving clause, the Kansas act of 1913 is expressly repealed by the act of 1925, without any saving clause. It is true that the revised statutes of Kansas contain a general provision for statutory construction saving rights which have accrued under statutes repealed, but this statute has been held to apply only to rights which have vested, not to those which are inchoate at the time of repeal. *Claypole vs. King*, 21 Kan. 602; *Leavenworth Coal Co. vs. Barber*, 47 Kan. 29; *Wheelock vs. Myers*, 64 Kan. 47.

The supreme court of the United States has several times, but in cases not involving insurance questions, construed the retrospective effect of statutes alleged to have violated the constitutional provision against impairing the obligation of contracts. In the cases reviewed the question had arisen with respect to contracts as to which, it was claimed, a previously existing statute had created a vested right. The court holds, in each such case, that the legislature may constitutionally amend or repeal a previous law prescribing terms as to the operation of contracts and give the new law a retrospective effect, so long as it does nothing which affects the contract which the parties themselves undertook to make.

Legislature May Wipe Out Rights of Previous Law

The conclusion to be reached seems quite irresistible. In case after case the courts have continued to hold that where a law operates to prevent the

operation of a contract according to its own terms, upon which the parties have intended to agree, that it is entirely within the province of the legislature, and not at all unconstitutional, to repeal such previous law and wipe out the rights which one of the parties may otherwise have had, to prevent the enforcement of the contract according to its terms.

The Kansas courts have already so held. With respect to the 1925 notice law, they may well be expected to hold that contracts issued during the effective period of the 1913 law are subject to forfeiture according to their terms, and according to the procedure specified in the 1925 law. Any suggestion to the contrary must be predicated on the inaccurate expression in the *Lightner* case and the *Priest* case that the 1913 statute became a part of every contract thereafter issued, and, further, that the statutory requirement became one of the "obligations" of the contract, although not, in fact, undertaken by the parties in the contract which they made.

Law of 1913 Not Part of Obligation of Contract

It may still be that even if the notice law of 1913 became a part of the contracts thereafter issued, according to the expression in the *Lightner* and

Priest cases, nevertheless, it was not a part of the "obligation" of such contracts, that is, something which the parties themselves had undertaken. Their undertaking was, on the contrary, with respect to forfeitures, the undertaking of their respective policies, none of which, we shall assume, was in the language of the Kansas act of 1913. Hence, it seems that the *Lightner* and *Priest* cases should not militate against a ruling that the 1925 notice law of Kansas leaves the contracts executed in that state during the period of the 1913 law, to be enforced according to their terms, supplemented by the requirements of the 1925 law, and entirely divorced from further resort to the 1913 act.

The conclusions which are to be drawn from this examination need not, however, be confined to the Kansas statute nor to nonforfeiture laws in particular. It seems fairly clear that, as to any contract, whether of life insurance or otherwise, if the legislature has enacted a law which restricts, in some way, the operation of the contract as the parties intended it to operate, such law may be repealed and the contract left to operate according to its own terms, with or without the imposition of new requirements in the repealing statute, and free from any successful



DR. E. G. SIMMONS
Vice-President Pan-American Life

charge of unconstitutionality as being in violation of the provision forbidding a statute which impairs the obligation of a contract.

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in KANSAS
in OKLAHOMA
in ARKANSAS!
in TEXAS

First among all companies doing business in these states in amount of disability benefits paid, and climbing rapidly toward first place in the twenty-two other states in which we operate. BUSINESS MEN'S ASSURANCE has found first favor with the many thousands of beneficiaries so greatly benefitted by our *Life, Accident and Health Protective Income Service*.

Today more than 100,000 policyholders are enjoying the security afforded by B. M. A. by having assured themselves a permanent income during any disability and substantial relief in the event of death.

Every Year A Record Year—1924 The Banner Year of All!

Year	Gross Income	Assets	Paid Policyholders Since Organization
1909	\$9,284.00	\$5,683.00	\$722.46
1913	\$234,570.00	\$55,825.00	\$320,985.43
1917	\$758,923.85	\$365,736.81	\$1,307,881.83
1919	\$1,273,880.95	\$654,673.66	\$2,304,004.49
1920	\$1,952,735.52	\$1,115,893.81	\$3,138,381.21
1921	\$2,374,671.38	\$1,499,846.33	\$4,234,599.59
1922	\$2,891,874.11	\$1,722,207.46	\$5,763,009.64
1923	\$3,337,492.14	\$2,119,695.57	\$7,385,699.08
1924	\$3,855,607.05	\$2,592,417.28	\$9,000,581.67

LIFE --- ACCIDENT --- HEALTH

Business Men's Assurance Co.

W. T. GRANT, President

KANSAS CITY, MO.

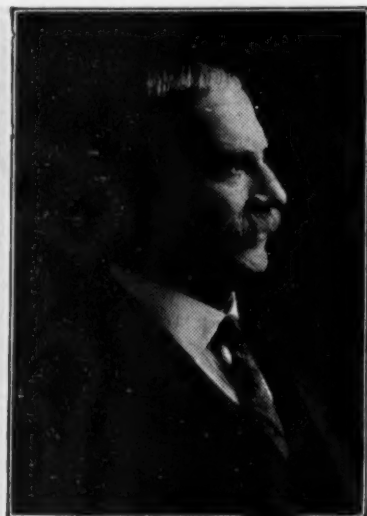
Review of Life Insurance Decisions

BY WILLIAM ROSS KING
Editor Legal Bulletin

SUPREME COURT Construes Estate Tax Law as Applied to Life Insurance as Not Retroactive in Order to Avoid Grave Doubts of Its Constitutionality.—Lewellyn, collector, vs. Frick, 45 Sup. Ct. 487, May 11, 1925. The revenue act of 1918, Ch. 18, 40 Stats. 1057 was challenged as to its constitutionality, insofar as applicable to proceeds of life insurance, by a suit instituted by the executors of Henry C. Frick, claiming that life insurance is not part of a man's estate. The district court for the western district of Pennsylvania gave judgment for a recovery of the tax, on the ground that the tax is on the beneficiaries and is not apportioned as required by the constitution, and that the tax is neither death duty nor a succession tax, and cannot be sustained as an excise tax.

Applies to Policies Subsequently Issued

On proceedings in error to the Supreme Court of the United States, that court finds that although Mr. Frick died subsequent to the enactment of the law,



CHARLES F. COFFIN
Vice-President State Life

the policies were issued prior thereto, and while indicating that there "would be a very serious question to be answered before Mrs. Frick and Miss Frick (the beneficiaries) could be made to pay a tax on the transfer of his estate by Mr. Frick," and "another if the provisions for the liability of beneficiaries were held to be separable and it was proposed to make the estate pay a transfer tax for property which Mr. Frick did not transfer," holds that the law is to be construed, if possible, in such a way as to avoid such grave doubts of its constitutionality. This is accomplished by construing the statute as applying only to policies issued after it was passed.

This feature of the case does not appear to have been considered by the court below or in the brief of counsel for the Association of Life Insurance Presidents in the Supreme Court. It was a number of years after the passage of the law before its constitutionality was attempted to be raised, but it appears that we shall have to wait until another case arises which comes under the law and squarely raises the question of the power of Congress to levy an estate tax on life insurance.

Converted Term Policy Governed by the Same Law as Original Contract.—Aetna Life vs. Duncan, Admx. 45 Sup. Ct. 129, Dec. 15, 1924.—In this case the question was whether a converted term policy should be subject to the same law as governs the original contract. The

question arose with respect to a conflict of laws in relation to the allowance of attorneys' fees.

A policy originally issued in Tennessee provided for an option, whereby, upon any anniversary of its date, without medical re-examination, it was convertible, among other forms of insurance, into a 20 payment life commercial policy, bearing the same date and issued at the same age, on payment of the difference between the premiums already paid and those required under the terms of the converted policy. The insured moved to Texas and during the term allowed for exercising the option, converted his policy in accordance with the condition into a 20 payment life policy, which was delivered to him in Texas. The Texas statute allows an attorney's fee of 12 percent of the amount of the policy which presumably was higher than that allowed in Tennessee.

The Supreme Court of the United States holds that, although the original policy was canceled, the converted policy was part of the same contract and, therefore, governed by the law of Tennessee; that the Texas statute was incapable of being constitutionally applied to the policy, since the effect of such application would be to regulate business outside of Texas and control contracts made by citizens of other states in disregard to their laws.

The case in effect holds that in the absence of specific provisions precluding such construction, a substituted policy issued without examination is a mere continuation of the original contract and not an independent agreement, although the original policy is formally canceled.

Federal Income Tax—Right to Deduct from Gross Income, Credits Due Deferred Dividend Policyholders, Denied—Amortization of Securities Purchased at a Premium Not Permissible.—New York Life vs. Edwards — Fed. (2nd.) —. In an opinion filed July 30 last the United States court of appeals for the second circuit holds that an insurance company cannot, in determining the amount of its income tax, deduct from gross income that portion of premiums received from deferred dividend policyholders, which is annually credited to each individual policyholder, conditioned upon such policyholder surviving the dividend period and the payment of all premiums during such period. The treasury department permitted the New York Life, which does business on the level premium plan, to deduct such portions of the premium credited to annual dividend policyholders, but refused to permit the deduction in case of deferred dividend policyholders.

The revenue act of 1913 provides that "life insurance companies shall not include as income in any year, such portion of any actual premium received from any individual policyholder, as shall have been paid back or credited to such individual policyholder or treated as an abatement of premium of such individual policyholder within such year." The court of appeals holds that in the case of deferred dividend policyholders, the credit is a conditional credit only, because the policyholder may not survive the dividend period and with his policy in force, in which event, by the terms of his policy the credit accrues to other surviving policyholders of the same class; that the phrase "credit to such individual policyholders" means finally and irrevocably credited.

Deduction Not Allowed for Amortization

Another question decided in this case arises out of the provision of the 1913

revenue law allowing a deduction of "losses actually sustained during the year, including a reasonable depreciation by use, wear and tear of property, if any." The New York Life sought to deduct under this heading an amount arising from the amortization of securities purchased at a premium. This deduction did not represent a revaluation of securities to conform to market prices, interest or yield but a yearly proportion of the difference between par, which the plaintiff would eventually receive upon the securities owned by it, if it held such securities until maturity, and the purchase price above par. It holds that the phraseology "losses actually sustained during the year including a reasonable depreciation by use, wear and tear of property" does not contemplate a deduction of this kind. The same court in New York Life vs. Anderson, 263 Fed. 527, dealing with the 1907 corporation tax act allowing a deduction of "losses actually sustained" including a reasonable allowance for depreciation but omitting the words "use, wear and tear" had held such a deduction proper, and it was evidently in reliance upon this former decision that the credit was claimed.

Reserve as Part of Invested Capital.—Mutual Benefit vs. Duffy, collector, — Fed. (2nd.) —. The United States circuit court of appeals for the third circuit has affirmed the judgment of the district court for the district of New Jersey, decided last year, 295 Fed. 881, which holds that the reserve of a life insurance company is a part of invested capital within the meaning of the war excess profits tax. The case is now pending in the Supreme Court of the United States. As it stands the case is proceeding favorably to insurers.

North Carolina Exemption of Insurance Proceeds Applicable in Case of Bankruptcy Only Where Bankrupt Dies.—In re Whiting, 3 Fed. (2nd.) 440. This case decided June 15th by the United States circuit court of appeals, fourth circuit, construes a constitutional provision in North Carolina relating to exemption of insurance proceeds as inapplicable to cash surrender value during the life of the insured—where claimed by a trustee in bankruptcy. The constitutional provision referred to is as follows: "The husband may insure his own life for the sole use and benefit of his wife and children and in case of the death of the husband, the amount thus insured shall be paid over to the wife free from all the claims of the representatives of the husband or any of his creditors."

A statute in North Carolina provides that: "Every policy of life insurance made payable to or for the benefit of a married woman or after its issue assigned, transferred or in any way made payable to a married woman * * * shall inure to her separate use and benefit and to that of her children if she dies in her lifetime."

The court of appeals remarked that if the statute stood alone with its language unrestrained by the constitutional provision, the argument would be strong in favor of the view that every possible value of the policy, including cash surrender value, though the husband retained the right to change the beneficiary, inures to the benefit of his wife and children. But such a construction of the North Carolina statute is impossible in view of the constitutional phraseology "in case of the death of the insured," which evidently contemplates an exemption only of insurance after the death of the insured husband.

Of course it usually is the cash surrender value which is in controversy in

case of bankruptcy. On the other hand exemption laws relating to the proceeds of insurance policies may well refer to a time either before or after the maturity of the policy. State laws governing exemptions from the claims of creditors may, therefore, be regarded as including cash surrender values of insurance policies as well as proceeds after the death of the insured, unless there is some specific phraseology limiting the exemption, as occurs in the North Carolina constitutional provision. Such appears to be also the situation in Florida in re Long, 282 Fed. 383. There is a doubt as to whether even the use of the word "proceeds" in the state exemption statute is sufficient to confine the exemption, in case of bankruptcy, to the very limited number of cases where the bankrupt dies before his discharge.

Whatever may be the rights of the trustee in bankruptcy in other jurisdictions due to differences in opinion as to the effect of the right to change beneficiary, in North Carolina if a bankrupt wishes to save from the wreck his insurance payable to his wife he must



WILLIAM ROSS KING
Editor Legal Bulletin

proceed to die or the trustee will seize the policy for its cash surrender value.

Incontestable Clause Does Not Prevent Insurer From Showing That Double Indemnity or Accidental Death Clause Is Inapplicable.—Sanders vs. Jefferson Standard Life, 4th Fed. (2nd.) 555. In a suit on a life policy providing for double indemnity in case of accidental death, one of the limitations was a provision excepting liability in the event of accidental death from bodily injury inflicted by another person. The evidence was undisputed that such was the cause of death in this case, but the beneficiary contended that the company, which Mr. Wells represented, could not set up this defense, because the contestable period had expired.

The United States district court for the southern district of Mississippi held, however, that the plain and unambiguous language of the policy forbade a recovery. The company was not contesting the policy by showing facts relating to its validity, but was simply showing the the double indemnity provision did not apply in the case in hand, but plainly exempted death at the hands of another.

No authority was cited in support of the opinion and perhaps none was necessary. The reasons why the incontestable clause in a life policy should not prevent the insurer from showing that death was not accidental or, as in this case, that death resulted from the act of a third party, are obvious. Per-

haps no one heretofore has had the temerity to contend that an incontestable clause renders an insurer helpless though the cause of death is one expressly exempted from liability.

Through the efforts of the American Life Convention, however, the incontestable clause of the standard provision has been amended in the following states so as to except specifically "at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident": New York, Pennsylvania, New Jersey, Massachusetts, Michigan, Idaho, South Dakota, Oregon, Nebraska, Illinois. This statutory provision, it is believed, will have the effect of foreclosing further litigation in these states relative to this question.

Legibility of Copy of Application Attached to the Policy as Precluding the Defense of Fraud.—*Gay, Ex. vs. New York Life, — Fed. —; Kelley vs. Bankers Reserve Life of Omaha.* Kentucky has a statute providing that no company shall make any contract of insurance "other than as plainly expressed in the policy" and requiring that a copy of the application be made a part thereof. In 1922 the supreme court of Kentucky in *Fidelity Mutual Life vs. Preuser* held that where the trial court was of the opinion that the copy attached to the policy in suit was not legible, it rightly sustained a demurrer to the insurer's answer which set up fraud. In other words the copy of the application which is part of the contract must be "plainly expressed" and, therefore, legible.

In another more recent decision by the federal district court for the eastern division of Kentucky it was held that necessarily a decision in each case must depend upon the size and legibility of the application involved. The court in this latter case, however, was able to read the application without difficulty in looking at it in a proper light and taking

proper pains. It, therefore, held that the answer setting up fraud stated a good defense.

Contention Is Lack of Legibility

A case is now pending in the supreme court of Nebraska (*Kelley vs. Bankers Reserve Life of Omaha*) where there was no evidence in the record tending to contradict the company's proof of fraud in making the application, the sole contention of the beneficiary being that the copy of the application attached to the policy was not legible. The trial court submitted to the jury as the sole question to be decided by it, whether or not the copy was sufficiently legible to conform to the intent and purpose of the Nebraska statute, which provides that "no statement made by an applicant shall void the policy unless it is contained in a written application and a copy of such application shall be endorsed upon or attached to the policy." This, we believe, squarely presents the question of whether a beneficiary can invoke the terms of such a statute in a case where fraud is admitted or at least not substantially contradicted. The purpose of the statute in requiring the contract be expressed in writing like the statute of frauds, is to prevent fraud and cannot, therefore, be used as an instrument of fraud.

The copy in this particular case was similar in size to that used by the New York Life and a number of other companies. If the trial court can submit the question of legibility to the jury this affords a convenient means, wherever the photographic copy is reduced from that of the original, for the beneficiary of a fraudulently obtained policy to escape the consequences of the fraud.

Liability of Insurance Company for Negligent Operation of Automobile by Agent.—*Dillon vs. Prudential*, district court of appeals, first district.—A California court of appeals has very recently held a life insurance company liable for

the negligent operation of an automobile. It appears from the opinion that the agent was under a contract to give his entire time to the company, receiving a salary and commissions. At the time of the accident he was on his way to the office of the company to attend an agency meeting, but he was in the habit of using his car in soliciting insurance. On the question of whether he was an independent contractor the court observes that he could not delegate his duties to others and holds that the trial court did not err in submitting to the jury the question of whether the relationship was that of principal and agent or independent contractor. The decision, if extensively followed, may result in life insurance agents having to qualify as chauffeurs before entering upon their duties as solicitors of insurance.

Payment of Insurance Premiums From Community Funds.—*Blethen vs. Pacific Mutual*, 47 Cal. App. 433; *Union Mutual Life vs. Broderick*, — Pac. —; *Castagnola vs. Canepa*, 230 Pac. 188. About two years ago the California court of appeals in *New York Life vs. Bank of Italy*, 60 Cal. App. 602, 214 Pac. 61, held that in California a policy upon the life of a husband cannot be made as a gift to one other than his wife, without the written consent of the wife, because to do so would deprive the wife of her interest in the policy arising out of the payment of premiums from community funds. Recently the same court in *Blethen vs. Pacific Mutual* held that where the company pays such third party, beneficiary, after notice to the widow, who makes no claim to the proceeds, the company cannot subsequently be made liable a second time for the widow's share of the proceeds. Very recently the supreme court of California has vacated this decision and granted a rehearing. The decision in the *Bank of Italy* case seems to be attended by considerable difficulty, arising out of community rights to insurance

which do not appear on the face of the contract.

Ruling on Distribution of Policy Proceeds

If the estate of the wife be made the contingent beneficiary in case she predeceases her husband his heirs have no interest in the policy but if his representatives are the contingent beneficiaries they get half of the insurance and the other half goes to the representatives of the wife. *Castagnola vs. Canepa*, 230 Pac. 188.

The case of *Union Mutual Life vs. Broderick*, decided by the supreme court of California, in banc, July 29 last, holds that a policy, paid for out of community funds, may be assigned or the beneficiary changed without the consent of the wife, providing the transfer is for a valuable consideration. This is in accordance with the express provision of the community property law.

In California, presumably as a result of Spanish establishment, dower and courtesy do not exist, but a system of community property exists between the husband and wife. The husband has the management and control of community personal property, except that he cannot make a gift of community property without the written consent of the wife. In most jurisdictions where the community property law prevails the power of the husband over community property is not restricted.

Gross Premium Tax, Deducted Dividends Taxable.—*Cochrane, Com'r. vs. National Life of Vermont*, — Pac. —. The supreme court of Colorado, April 6, 1925, held that under the gross premium tax law of Colorado, deducted dividends are a part of gross premiums. The Colorado statute lays a tax "on all premiums collected or contracted for." The Colorado court distinguishes this phraseology from that of the statutes of other states, notably California, where a contrary conclusion has been reached under a statute taxing "gross premiums

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Address I. SMITH HOMANS, Vice-President

received." (*Mutual Benefit Life vs. Richardson*, treasurer, 219 Pac. 1003, decided last year.) The ground for the decision is that the words "contracted for" indicate a plain intent to include all premiums as fixed in the policy whether received or not.

Pursuant to the favorable decision in the California case last year, an act was passed by the legislature of California, authorizing the board of equalization to credit upon forthcoming payments of taxes levied against any life insurance company, taxes paid under protest upon deducted dividends, provided, however, that the company not later than July last made an admission of liability, past and future, for taxes levied upon gross premiums received without deducting matured endowments and surrender values. (Ch. 86, L. 1925, Approved Apr. 21, 1925.)

Provision for Forfeiture of Insurance for Non-Payment of Blue Note Not Contained in the Policy Held Unenforceable.—*Coughlin vs. Reliance Life*, 201 N. W. 920; *Ritter vs. American Life of Des Moines*, 203 N. W. 503. The supreme court of Minnesota, by a decision handed down Jan. 16 this year, holds that a provision in a premium extension note for lapsing insurance in case of non-payment of the note at

maturity is void, in the absence of a similar provision in the policy. The Minnesota court takes the position that such a note is a violation of the statute requiring the entire contract to be contained in the policy and also a violation of the anti-discrimination law.

Since the rendition of this opinion the legislature of Minnesota has passed a bill providing that the parties to a policy of life insurance shall have the right mutually to agree for an extension of time in which to pay a second or subsequent premium, upon the condition that failure to pay such premium shall lapse the policy; and it is further provided in this act that the provision for forfeiture need not be contained in the policy. This effectually nullifies the decision in the Coughlin case. But that case has since been followed by the supreme court of South Dakota in *Ritter vs. American Life of Des Moines*, 203 N. W. 503, decided April 18, 1925.

Notice of Cancellation Is Required From Company

While there is considerable authority to sustain the position of the Minnesota court, most of the cases only go so far as to hold that where, as in the Coughlin case, the provision for forfeiture is contained in the note but not in the policy, it is a condition subsequent,

which requires notice of cancellation of the policy from the company. Such is the effect of a decision last year by the supreme court of Oklahoma in *Bankers Reserve vs. Rice*, 226 Pac. 324.

The writer has a case pending where the policy provided for forfeiture for non-payment of notes for premium but the particular note did not. It is contended by the beneficiary that the provision should be in the note; otherwise the note constitutes an absolute payment of the premium. Because of these possible contentions it would be advisable to have the condition for forfeiture upon non-payment of notes in both policy and note, unless, as in Minnesota, a statute permits its omission from the policy.

Unforeseen Result of Intentional Act Not Accidental Means.—*Caldwell vs. Travelers*, 267 S. W. 907, Dec. 18, 1924; *Zach vs. Fidelity & Casualty*, 272 S. W. 995, June 24, 1925; *Calkins vs. Nat. Travelers Benefit Assn.*, 204 N. W. 406. The decision in *Caldwell vs. Travelers* by the supreme court of Missouri, in banc, handed down Nov. 25, 1924, overrules a number of earlier Missouri decisions and holds that death resulting from accidental or unforeseen results of an intentional act, is not death by accidental means.

The very lengthy and instructive opin-

ion of the Missouri court reviews a large number of decisions, distinguishing cases where there is any slip or accidental element involved in the cause of injury. In the *Caldwell* case it appeared that insured's death, which occurred five days after an operation for abdominal hernia, was the result of necessary lacerations in the course of the operation which were followed by thrombosis and intestinal obstruction. The surgeon testified that he could not perform the operation any better if he were to do it over. The beneficiary made no contention to the contrary. There was no evidence of any mischance or unusual or unforeseen occurrence during the performance of the operation.

Difficult to Exclude Evidence of Mishap

Getting the court to adopt the rule that an unforeseen result of an intentional act is not produced by accidental means is somewhat of an accomplishment, but an even more difficult matter is to keep out of the record all evidence of mishap, mischance, or slip in connection with the moving cause of the injury. Nevertheless this has been accomplished in another case (*Zach vs. Fidelity & Casualty*, 272 S. W. 995), where an infection following a skillfully performed tooth extraction was held not due to "accidental means." Of course where death is due to an infected instrument used in performing the operation an entirely different result obtains. *James vs. State Life*, 147 N. E. 533, App. Ct. (Ind.) Apr. 24, 1925.

In another recent case, *Calkins vs. National Travelers Benefit Assn.*, 204 N. W. 406, the insured died from the effects of drinking poisoned hooch. In order to inject the element of accidental means into the case, it was claimed that the jug slipped while he was taking a drink causing him to take a greater amount than contemplated. The supreme court of Iowa, however, took the view that death was due to the unforeseen result of an intentional act. The insured may have said that his hand slipped and that he got more than he intended to, but no one saw his hand slip and it was probably the excess quantity of fusel oil in the hooch, voluntarily taken, which brought about his sudden demise. So observes the court.

Agency Contracts—Provision for Forfeiture of Claims in Case of Engaging in Service of Another Company—Suit by Agent for Loss of Profits Not Maintainable.—*Wallace vs. American Life of Des Moines*, 273 Pac. 974, Supreme Court, July 28, 1925. A provision in an agency contract was in effect that if the agent should become indebted to the company and thereafter should sever his relations and enter into the employment of another life insurance company, he should forfeit all claims under his contract. The supreme court of Oregon holds that the agreement not to enter into the employment of another company, while in debt to the defendant company, is a separate, independent covenant. Conceding, but not deciding, that the company had breached its contract with the agent, the plaintiff was not thereby relieved from the performance of this independent provision of the contract, and when he went with another company he could not thereafter sue upon his former employer's breach of contract. This independent covenant was entered into voluntarily. The company's breach of contract resulted in a claim for damages against it, the very contingency or claim contemplated by the provision for forfeiture of all claims in case of engaging in the service of the competing company while in debt to the former employer. Judgment for the agent for over \$60,000 was reversed with directions to enter judgment in favor of the company and against the agent for an indebtedness due the company amounting to about \$3,000. The decision is supported by no less an authority than an opinion of Judge Sanborn of the circuit court of appeals, eighth circuit, in a case very similar in point of facts.

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HOME OFFICES, Wichita, Kansas

Work of Past Year Reviewed in Report of the Secretary

By T. W. BLACKBURN

THE receipts for the year have been \$58,757 and the expenditures \$45,285. The balance on hand Sept. 30, 1924, was \$16,782 and the balance on hand on the same date for 1925 is \$20,254.

The assessment for 1924 of \$5 per million produced \$57,113. The assessment for this year of \$3.50 per million—all paid—amounts to \$43,528. It is the opinion of your secretary that a \$3 per million assessment will be sufficient to meet the requirements of the convention for the coming year.

Status of Membership of the Convention

The membership at this date is 136 companies. Since the last annual meeting two companies formally withdrew from membership and three companies were stricken from the roster for non-payment of the assessment of 1924. The companies withdrawn, dropped or passing off the roll by reason of reinsurance and merger are the Columbian National of Boston, First Reinsurance of Hartford, Great Southern of Houston, Midland of St. Paul, Mutual Benefit, Phoenix Mutual, Southern States Life of Atlanta, State Life of Great Falls, Mont., and Western Life of Des Moines, nine companies. The Western & Southern of Cincinnati and Springfield Life of Springfield, Ill., have become members since the last meeting—making the net loss of membership for the year seven companies, reducing the number from 143 last year to 136 at this time.

The secretary visited 91 companies since we met at New Orleans. There are but two companies on the roster whose home offices have never been entered by the secretary.

Work Done Along Legislative Lines

During this convention year, with 44 regular sessions of the legislatures in as many states, several extra sessions and Congress, the secretary's office has examined, digested and reported upon about 1,500 legislative proposals, issued 39 consecutive bulletins of information as to legislative and departmental action. The monthly Legal Bulletin has contained digests of 400 opinions of the courts of last resort of this country. The proceedings of the meetings of the main organization, the Legal Section and the Medical Section have been edited, proof read, printed and distributed; two important briefs have been filed, one in Minnesota and one in Nebraska, on behalf of the business as it is represented in this organization. Some 20

questions have been briefed for counsel of our companies.

In addition to the preparation of the "Legal Bulletin," which is a continuous performance, Wm. Ross King, the editor, who gives half time to the Convention, responds nearly every week to requests for legal opinions requiring research.

Many Legislatures in Session During Year

This Convention year 42 legislatures have proposed about 50,000 bills, more than 1,500 of which would directly affect life insurance. It is comforting, therefore, to know that only about 100 were enacted into statutes.

Bills to permit applications without medical examination were introduced and passed in Indiana, North Carolina and Oklahoma, but the laws requiring medical examinations on all ordinary applications remain in force in Arizona, Georgia, Idaho, Iowa, Missouri, Massachusetts, Mississippi, Nebraska and Washington. Policies without medical examination may be issued on old policyholders within certain limits in several of these states. In all the others, there are no provisions relating to examinations of applicants, though Louisiana and Minnesota would seem to contemplate medical examinations.

Companies Now Doing Non-Medical Business

It may be interesting to know that a recent questionnaire shows 39 American Life Convention companies out of 122 responding, are issuing policies without medical examinations. One of these goes as high as \$3,000, another as high as \$2,500 but most of them limit the amount to a maximum of \$2,000.

Agency qualification acts received attention in six states and statutes upon this subject were passed in Florida, Tennessee and Wyoming. In Kansas a bill following the Donaldson law of Pennsylvania was defeated and a drastic law in California failed.

Resident agent laws including life agents were approved in New Mexico and Wyoming. Former laws were modified in Idaho, Michigan, and West Virginia. The governor of North Dakota vetoed a bill permitting licenses to non-resident life agents. Georgia passed a law applying to non-resident fire agents. What action the commissioner will take as to life agents is yet to be determined. He was opposed to the bill passed by the legislature.

The standard amortization law was

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- Twenty-three years old;
- Imbued with the spirit of service and progress;
- With assets of \$8,000,000, and surplus to policyholders of \$1,750,000;
- Writing both participating and non-participating policies, containing a liberal double indemnity clause for accidental death, and a disability clause under which permanent disability is defined as any total disability lasting longer than three months;
- Writing Commercial and Non-cancellable Accident and Health Insurance;
- Writing a \$10.00 Automobile Accident Policy which almost sells itself, thereby enabling you to break in new men without giving advances;
- Giving health conservation service to life policyholders;
- Operating an organized Training school for agents;
- Furnishing Prospect service to the Field force;
- Charging premium rates that enable you to sell your clients policies at as low a rate as any other company in the business;
- Giving a General Agent's contract with non-forfeitable life renewals for nine years; continuous accident and health renewals, and first year commissions which are surprisingly liberal in view of the low premium rates and other advantages.

EXAMPLE OF PREMIUM RATES

	Age 25	Age 35	Age 45	Age 55
Ordinary Life, Endowment at 85, N. P.	15.70	20.87	30.44	40.17
20-Pay Life, Endowment at 85, N. P.	23.98	29.27	38.00	54.16
Whole Life, N. P. (\$5,000 minimum)	15.10	19.91	28.63	45.90
20-Pay Life, N. P. (\$5,000 minimum)	22.53	27.40	35.95	51.38
Ordinary Life, Participating	19.08	25.16	35.92	56.11
20-Pay Life, Participating	27.33	33.41	43.22	60.74

Open territory in Virginia, West Virginia, Tennessee, Alabama, Florida, Mississippi and Texas.

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enacted in Delaware. It is now uniform in nearly all the states, and stands as evidence of the possibility for uniform laws generally if the National Convention of Insurance Commissioners will join in further efforts to bring about uniformity.

The amended standard incontestable law made good progress and is now in effect in the states of Maine, New Hampshire, Massachusetts, New York, New Jersey, Pennsylvania, Michigan, Illinois, Minnesota, South Dakota, Nebraska, New Mexico, Idaho and Oregon, fourteen states. Indiana adopted the amendment providing that policies shall be incontestable "after two years during the lifetime of the insured," but declined the portion of the standard amendment relating to disability and accidental benefits. The only remaining standard provision states to enact the amended provision are Arizona, Colorado, Oklahoma, Texas, Utah, North Dakota, Ohio, Tennessee, Washington and Wyoming. Wyoming has a provision exempting disability provisions from the standard incontestability provision.

New Codes Proposed in Many States

New codes were proposed in Wisconsin, New Mexico, District of Columbia and Illinois, but New Mexico was the

only state which adopted a complete revised code. Kansas created a commission to revise the insurance laws of the state.

The amended notice law passed in Kansas was the only important legislation in that state.

Compulsory investment laws were defeated in several states, but Texas refused to repeal its famous Robertson Act.

Arkansas created the office of commissioner of insurance and revenue and abolished the office of insurance commissioner and fire marshal.

No new state income tax laws were enacted and Arkansas repealed the law in that state which was held unconstitutional.

Exemption Provisions Were Broadened

Tennessee, Florida and Indiana broadened the exemption provisions applying to proceeds of life policies. Tennessee made surrender and loan values exempt from debts where beneficiaries named in policies are dependents of the insured. Indiana amended the law to permit irrevocable designation of beneficiaries.

Minnesota enacted a law to permit premium extension notes—to meet the so-called blue note decision of the supreme court. A South Dakota decision

followed the Minnesota court, but up to this date no other supreme court has adopted the Minnesota doctrine.

Taxes were not increased in any jurisdiction though Arizona, Georgia, West Virginia, Oregon and South Carolina considered and defeated bills proposing material increases.

New York and Ohio enacted the so-called legal reserve law for assessment life companies. The assessment people expect to present it to the legislatures in other states this and following years.

Some Developments in Life Insurance

The year just passed has witnessed a few developments in life underwriting which are notable.

Non-medical writing has spread very rapidly. Payroll insurance has made considerable progress. Reduced premiums have been announced by a few companies. Trust companies have entered the field aggressively in an effort to increase the volume of policies naming them as trustees for beneficiaries.

At the annual meeting of the commissioners in San Antonio a paper was presented by the actuary of the Connecticut department recommending that companies be permitted to substitute the American men's table of mortality for the American experience table. Your

secretary could not discover any enthusiasm for the suggestion among the western commissioners.

Comment on Change of Mortality Table

The supremely important consideration involved in the question of a mortality table is the necessity for absolute safety for all American policyholders. Maintenance of the dependability of every legal reserve contract is of vastly more consequence to the great institution of life insurance than a few cents per thousand per annum of premium payments.

Any legislative enactment giving advantages to a few companies peculiarly fortunate in the matter of age or manner of organization, which might materially injure other companies not enjoying such special benefits would be a serious matter to the institution as well as the individual companies affected. This nation needs all the life insurance opportunities large and small companies make available to the people.

WRITING WITHOUT MEDICAL EXAMINATION DISCUSSED (CONTINUED FROM PAGE 8)

ated most of the declinable cases by the "Selective Risk" plan; and that the agent is eliminating risks which would otherwise have applied under the old plan but that a certain number, approximately 5.3 percent perhaps, are being intruded which under the old plan would either have been rejected or modified. It is, therefore, to be presumed that the agent is more inefficient in eliciting the necessary information than the examiner and it is, therefore, necessary to carefully watch the business and train the agents who are defective in this respect and, should an individual agent not measure up in a short time to the necessary efficiency or show some considerable progress, to require that his business be conducted on the examination plan.

Cost and Saving Are Compared

We reviewed the 28 applications for \$38,500 which were modified in 1924, as a result of the work of the examiner, and found that the average assessed mortality was 208.5 percent. This large percentage was due to the fact that a few were issued on the graded death benefit plan with an assessed mortality of 300, 400 or 500 percent. Those not so assessed would probably be assessed, on the average, slightly in excess of 150 percent. It is quite probable that we caught most of those rating 300 percent and over by the "Selective Risk" plan and, therefore, an average rating of 200 percent for those which were taken standard by the "Selective Risk" plan would be a high and conservative estimate. It might be said that the average extra mortality charge on these risks would be about \$6 per \$1,000 net, on the estimate that there are about \$200,000 of such cases, which is roughly 5.3 percent of the amount submitted. The loss chargeable directly to the lack of examination would be about \$1,200 annually against which we have saved approximately \$12,500 in medical examination fees.

Considerable Saving Made in Handling Costs

An analysis of our operating costs develops the fact that there is considerable saving in operation as a result of the "Selective Risk" plan. This amounts to about 75 cents per policy and, therefore, we had a saving of from \$1,800 to \$1,900 from this item alone. This does not take into account the saving in time at the branch offices or general agencies or the very considerable saving in time as well as elimination of annoyance to the agent in connection with having the examinations consummated; that last is a very considerable item. (The analysis of the saving in cost in handling "Selective Risk" business is set forth in Table C.)

From the foregoing it would appear to be a conservative assumption that we

Offering Something New and Different in Life Insurance

to GENERAL AGENTS

Arkansas, Kansas, Missouri, Ohio, Oklahoma, Pennsylvania and Texas

PROSPECTS OR "SUSPECTS?"

We have devised a unique PRE-APPROACH PLAN which ABSOLUTELY transforms "Suspects" into PROSPECTS.

A NEW CHILD'S EDUCATIONAL ENDOWMENT POLICY insuring the child as well as the beneficiary—a "TWO-IN-ONE CONTRACT" waiving further premium payments in event of death or disability of the parent or guardian. This contract is non-medical up to \$2,000.00 and insures children from one day old to nine years. Paying in monthly sums when the child is ready for College.

A closing argument in pictures and facts put up in a convenient CANNVASSING PORTFOLIO which aids in securing the "name on the dotted line." This brings both the sense of sight and hearing into play and PRODUCES BUSINESS that would otherwise be lost.

Many other NEW FEATURES in the making that will materially assist our representatives.

MEN OF CHARACTER AND ABILITY WANTED

The Bank Savings Life Insurance Company

Of Topeka, Kansas

GEO. L. GROGAN
Manager of Agencies

Company Incorporated 1908

Guaranteed Low Cost

have saved several thousand dollars at the home office under the "Selective Risk" plan.

I have had correspondence with another company which has done considerably more business than ourselves on this plan. While the executives of that company are highly pleased with the result up to the present time and plan upon extending it, they are watching carefully the same situation which we have observed, namely, the decreasing percentage of impaired risks submitted under the "Selective Risk" plan.

Study of Reasons for Ordering Examination

In Table D is set forth an analysis of the reasons for requiring examinations in 76 cases which were examined under our "Selective Risk" plan. It will be noted that approximately two-thirds of these were required on account of the applicant's statements. Table D also shows the disposition of these cases which were held for examination. In about one-fifth of the cases the examination had not been received at the time of the analysis; in one case the examination was received but was not sufficiently complete and in about 80 percent of the cases the completed examination was received. One-half of the cases examined were issued on a standard basis and of the remainder two-thirds were issued on a substandard basis and about one-third more were declined.

Information Obtained from Attending Physician

By referring to Tables A and B it will be found that whereas in that portion of the 1924 business analyzed only one case for \$1,000 was modified or declined on account of the agent's statement, we have had the benefit of the agent's advice in modifying four cases for \$8,000 under our "Selective Risk" plan. It will be further observed that the information received from other companies has been of value in connection with about the same relative number of cases, namely $\frac{1}{2}$ of 1 percent. We have received about the same amount of information of moment from the attending physician but an investigation of the individual cases reveals the fact that the three cases rejected under the "Selective Risk" plan on account of unfavorable information from the attending physician have been in connection with very serious cases and the saving was very great. We credit the attending physician with \$1 for the information requested and so advise with the request. We have found this a very valuable aid to selection, although the information is requested in only a very small proportion of the cases.

Inspection Service Extremely Disappointing

The service received from inspection sources has been extremely disappointing. Inspections were actually made in only a small proportion of the cases analyzed under Table A and we received information which was of value in assessing the risk in only .3 of 1 percent of the total number of cases, both inspected and uninspected. However, in connection with the "Selective Risk" plan all of the cases have been inspected and we have received information influencing action in less than .3 of 1 percent of the cases by number and .3 of 1 percent by amount.

Since the introduction of the "Selective Risk" method of transacting business the inspection agencies have been very active in bringing to the attention of the companies the great aid which they can be in connection with this method of doing business. The analysis of our own business, however, has developed the fact that they have been of less aid to us in connection with the "Selective Risk" business than in connection with the examined business, even though we have had all the "Selective Risk" business inspected.

Found Inspections an Expensive Luxury

We have, therefore, indulged in the luxury of the inspection report at a con-

siderable financial loss. In fact, an analysis which we have made for a number of years in connection with our medically examined business has demonstrated that the company can get but little return for the outlay in inspection fees to say nothing of the administrative cost of handling inspections at the home office, in connection with the type of business which comes within the scope of the "Selective Risk" plan. Inspections, however, can be of great assistance, as is demonstrated frequently, in connection with speculative risks and hazardous risks of like type on applications for large amounts and special types of risks.

Another shortcoming of the inspection report, not only in connection with the "Selective Risk" type but for the other types, is the incorrect inspection report which is very costly to the company, involving a cost which cannot be measured but a cost which must be taken into account when considering the cost of inspection reports.

Saved Only \$100 Annually at Cost of \$2,600

Inasmuch as we have modified or rejected \$7,000 of our "Selective Risk" business on account of the inspection report and it is a reasonable assumption that the net cost of the extra mortality would not have been over \$12 per thousand, we have saved less than \$100 per annum as a result of an expenditure of nearly \$2,600 for inspection fees and in addition there has been considerable administrative cost in ordering and handling the inspections; and we have had two or three unfavorable inspections which were apparently incorrect and this caused an additional outlay.

The plea is constantly being made by inspection companies that they wish to give special attention to the "Selective Risk" business in view of the fact that no examiner is involved but I cannot see why as much care and attention should not be given to the medically examined business as in connection with the business which is not examined. If there is any unfavorable information that can be developed through inspection sources which should influence action we need it in connection with the medically examined business as well as in the business which is not examined. But it must also be constantly borne in mind that we have no use for unfavorable information which does not influence our action.

Analysis in Texas Matches Previous Results

Just as this paper was first being written, we completed an analysis of our business in Texas which would have been eligible under the "Selective Risk" plan for 1924. There were 1,429 cases in all for \$3,126,950. The conditions there are practically in accord with conditions in North Dakota, Minnesota and Michigan. The declined business was about 1 percent by number and amount, which approximately coincides with the experience in the other three states. However, the substandard business was slightly greater, 11 percent by number and 12 percent by amount. The examiner aided us in a smaller percentage of cases in Texas than in the other three states; only 1 percent of the modifications by amount were due to the work of the examiner but on more than .1 of 1 percent of the rejections. A somewhat greater percent of the modifications and rejections were due to the statements of the applicants. The inspection service apparently gave us much less help in Texas than elsewhere. We modified only one case for \$2,000 on account of inspection service, i. e., .1 of 1 percent, whereas none of our rejections resulted from the inspection service. This, of course, refers only to the business which would have been eligible under the "Selective Risk" plan.

Are Gradually Extending Plan to New Sections

Our "Selective Risk" business is gradually increasing, not only for the reason that our business is increasing from month to month but because we are

MUTUAL TRUST LIFE INSURANCE COMPANY

CHICAGO

- ❑ Over One Hundred Millions of business in force.
- ❑ Purely Mutual. All policies participate.
- ❑ Strictly full level premium legal reserve.
- ❑ Issues regular policies from ages 10 to 65.
- ❑ Writes a special Business and Professional Man's Policy.
- ❑ Issues a special Ordinary Life Policy with four attractive options of conversion during first five years.
- ❑ Writes Child's Endowments at all ages in liberal amounts.
- ❑ Disability Income payable after 90 days total disability.
- ❑ Issues an unexcelled "old age" Income policy and an attractive Income Bond (requires no examination).

Correspondence Invited

ADDRESS HOME OFFICE
THE CHICAGO TEMPLE BUILDING
CHICAGO, ILLINOIS

gradually extending our "Selective Risk" plan throughout our territory. During September we did almost one-third as much "Selective Risk" business as we did in the preceding four months. Apparently our agents are becoming more efficient in developing the information, for during September we issued standard policies on 87.7 percent of the business submitted as compared with 94.2 percent for the four preceding months and we declined 1.4 percent as compared with 1 percent for the preceding four months.

As before, most of the information upon which modification, rejection or examination is required was due to information given by the applicant to the agent.

We utilize the same form of Part I of the application for the "Selective Risk" as for the regularly examined business. Part II in connection with the "Selective Risk" plan is, of course, different, for it must embrace some of the information formerly given by the examiner in Part III. In the preparation of Part II for our "Selective Risk" business we found occasion to make few changes in our former Part II used in connection with our examined business aside from incorporating under Part II certain information which was formerly secured by the examiner under Part III. We went upon the assumption that we required the same information, aside from the examination, in our "Selective Risk" business as we did for our medically examined business.

Nonstatistical Sidelights on Mortality Question

From the foregoing it would appear that there are very great savings to the company by way of examination fees and administrative costs. These no doubt will be offset to some extent, which is more or less problematical at the present time, by the intrusion of a proportion of lives on a standard basis instead of a substandard basis and the intrusion of some lives on a standard basis which would otherwise have been rejected. It is quite true that the Canadian companies are reporting lower loss ratio in connection with the "Selective Risk" business, but it is quite possible that this may be due to the fact that they have not compared the mortality in the "Selective Risk" group to the corresponding groups in their former business, but have made a comparison with their total mortality which includes risks insured for larger amounts, risks insured at the higher ages, and certain special types which do not come under the "Selective Risk" plan.

Savings Should Be Very Considerable

Nevertheless the financial savings should be very considerable and there should be a great saving in the time of the agent in the field who will thus be in position to transact a larger volume of business in a given time. Business also may be issued with much less delay

than formerly. It is quite true that complications will occasionally arise with regard to the old examiner, but these probably will be only isolated cases and will, for the most part, disappear in time. The proof of the pudding is in the eating and as the Canadian companies have been eating this pudding for several years and all seem to be highly delighted with the new system, it is quite probable

that the system will be a success in this country, although it is true that at times the conditions will be found to be somewhat different.

One of the great problems unquestionably will be to train the agent to become a real underwriter and to become a still more important factor in the selection of risks than he has been in the past. Some will be found to be unworthy of

the name of underwriter or even agent and it will be necessary that they be forced out of the business to the great improvement of conditions from the point of view of both the company and agent with the result that the field will ultimately be left to a higher grade of agents, or, rather, underwriters, with a resulting greater success for them and for the insurance business.

TABLE A

Business Submitted in Minnesota, Michigan and North Dakota in 1924

All male and all single female lives to age 45, inclusive, for amounts not exceeding \$2,500 on life and long term endowment plans and \$3,000 on twenty-year and shorter term endowments.

Total Submitted		Taken Standard		Taken Substandard		Declined	
No.	Amount	No.	Amount	No.	Amount	No.	Amount
2,106	\$3,126,949.61	1,857	\$2,799,949.61	225	\$311,000.00	24	\$36,000.00
		88%	89%	11%	10%	1%	1%

Analysis of Source of Information Causing Modification

Cases Submitted		Examination		Applicant's Statement		Agent's Statement		Information received from other cos.		Insp. Report		Information received from Attending Physician	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
225	\$311,000	28	\$38,500	176	\$241,500	1	\$1,000	11	\$15,500	5	\$9,000	4	\$5,500
10.6%	9.9%	1.3%	1.2%	8.4%	7.7%	0.0%	0.0%	.5%	.5%	.2%	.3%	.2%	.3%

Analysis of Source of Information Causing Rejection

Cases Submitted		Examination		Applicant's Statement		Agent's Statement		Information received from other cos.		Insp. Report		Information received from Attending Physician	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
24	\$36,000	5	\$6,000	18	\$29,000	0	\$0	0	\$0	1	\$1,000	0	\$0
1.1%	1.1%	.2%	.2%	.9%	.9%	0%	0%	0%	0%	0.0%	0.0%	0%	0%

TABLE B

Selective Risk Business From April 1 to Aug. 1, 1925

All male and all single female lives to age 45, inclusive, for amounts not exceeding \$2,500 on life and long term endowment plans and \$3,000 on twenty-year and shorter term endowments.

Total Submitted		Taken Standard		Taken Substandard		Declined		Add'l Information Requested but not Received		Held for Examination	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2,591	\$3,787,300	2,415	\$3,522,800	84	\$127,000	12	\$15,500	4	\$5,500	76	\$116,500
		93.2%	93.0%	3.2%	3.3%	.5%	.4%	.1%	.2%	3.0%	3.1%

Analysis of Source of Information Causing Modification

Cases Submitted		Examination		Applicant's Statement		Agent's Statement		Information received from other cos.		Insp. Report		Information received from Attending Physician	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
105	\$160,000	81	\$124,500	4	\$8,000	14	\$21,500	5	\$5,000	1	\$1,000	1	\$1,000
4.0%	4.2%	3.1%	3.3%	.2%	.2%	.5%	.6%	.2%	.1%	0.0%	0.0%	0.0%	0.0%

Analysis of Source of Information Causing Rejection

Cases Submitted		Examination		Applicant's Statement		Agent's Statement		Information received from other cos.		Insp. Report		Information received from Attending Physician	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
20	\$26,000	14	\$18,500	0	\$0	1	\$1,000	0	\$0	2	\$2,000	3	\$4,500
.7%	.7%	.5%	.5%	0%	0%	0.0%	0.0%	0.0%	0.0%	.1%	.1%	.1%	.1%

TABLE C

Comparative Direct Labor Cost Per Policy Between Regular and Selective Risks

I. Savings in labor cost on Selective Risk (based on June, 1925, business).			
A. New Business Department—Application Section			
1. Matching Application and Examination	\$ 79.90	.11	
2. Following unmatched cases by form letter	43.75	.06	
3. Checking Medical Examiner	63.00	.08	
			\$186.65
B. New Business Department—Policywriting Section			
1. Crediting Examiner's Fee	\$ 38.50	.05	
			38.50
C. Underwriting Department			
1. Based on saving in time involved in reviewing a Selective Risk Case	\$115.00	.15	
			115.00
D. Medical Department			
1. Handling Appointments, Irregularly examined cases, etc.	\$223.74	.30	
			223.74
Total Savings in Labor Cost per Month			\$563.69
II. Direct Labor Cost per Regular Policy			
Direct Labor Cost per Regular Policy	\$ 2.23		
Direct Labor Cost per Selective Risk Policy	1.48		

TABLE D

Selective Risk Cases Held for Examination

April 1 to Aug. 1, 1925

Reason for Requiring Examination

Total		Applicant's Statement		Agent's Statement		Information received from Other Companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
76	\$116,500	43	\$69,500	2	\$4,000	27	\$39,000	4	\$4,000	0	\$0
3.0%	3.0%	1.7%	1.8%	.1%	.1%	1.0%	1.0%	.2%	.1%	0.0%	0.0%

Disposition of Such Cases Held for Examination

Examination Required But Not Received

Reason for Requiring Examination

Total		Applicant's Statement		Agent's Statement		Information received from Other Companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
16	\$26,500	5	\$8,500	1	\$2,500	9	\$14,500	1	\$1,000	0	\$0
.6%	.7%	.2%	.2%	0.0%	.1%	.4%	.4%	0.0%	0.0%	0.0%	0.0%

Examination Required But Incomplete

Reason for Requiring Examination

Total		Applicant's Statement		Agent's Statement		Information received from Other Companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	\$1,000	0	\$0	1	\$1,000	0	\$0	0	\$0	0	\$0
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Examination Required and Received

Reason for Requiring Examination

Total		Applicant's Statement		Agent's Statement		Information received from Other Companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
69	\$99,000	19	\$31,000	8	\$11,500	3	\$4,500	3	\$4,500	1	\$1,000
2.3%	2.4%	.8%	.8%	.3%	.3%	.1%	.1%	.1%	.1%	.1%	.1%

Taken Substandard		Applicant's Statement		Agent's Statement		Information received from Other Companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
21	\$32,000	12	\$20,500	8	\$11,000	1	\$1,000	1	\$1,000	0	\$0
0.8%	0.9%	.5%	.5%	.3%	.3%	.0%	.0%	.0%	.0%	0.0%	0.0%

Declined		Applicant's Statement		Agent's Statement		Information received from Other companies		Insp. Report		Information received from Attending Phys.	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
8	\$10,500	7	\$9,500	1	\$1,000	0	\$0	0	\$0	0	\$0
.3%	.3%	.3%	.3%	.0%	.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Young E. Allison Guest at "Old Guard" Lunch

Young E. Allison, Sr., editor of the "Insurance Field," dearly beloved and dean of insurance journalists, was the guest of honor at a luncheon Thursday given by four men who were trained by him. They are E. J. Wohlgenuth, THE NATIONAL UNDERWRITER; Cyrus K. Drew, "Insurance Report;" W. W. Mack, "Weekly Underwriter;" Clarence Axman, "Eastern Underwriter." All were associated in years gone by with Mr. Allison in insurance newspaper work. They presented Mr. Allison with Viscount Grey's "Twenty-Five Years," a set in two volumes, suitably inscribed by the donors.

Dr. H. E. Sharrer, president of the Northern States Life of Hammond, Ind., long leader premier of the golfers, was deprived this year of the opportunity to display his vocal pyrotechnics because there was no golf dinner.

Fatality Appeared to Attend Speakers at This Year's Meeting

THERE was a strange fatality about this year's program. E. M. Blehl of the Philadelphia Life could not read his paper because a serious cold had put his vocal machinery out of commission. President John C. Hill of the Standard Life of Pittsburgh was scheduled to appear Thursday morning. He had been indisposed for three or four days but started to Louisville to keep his engagement. En route he grew worse and seemingly contracted influenza. He felt it wise to return at once.

His paper was read by Vice-President J. D. Van Scoten of the company. He stated that if the conditions were not actually known, it might be surmised that Mr. Hill had improvised an excuse to get back home for the world series. Mr. Hill's paper was well prepared. He attacked the raids made on some companies to get control for personal exploitation.

John M. Holcombe, Jr., manager of Life Insurance Sales Research Bureau,

an elaborate report in 1923. The committee was authorized to continue its statistical investigation.

The committee furthered a movement for uniformity in reporting physical impairments and occupational hazard. A cooperative movement started with committees from the Association of Medical Directors, Actuarial Society of America, American Life Convention and American Institute of Actuaries. At the joint meeting of the two actuarial societies at French Lick, copies of the final code on physical impairments was given out. It was adopted Jan. 1, 1925 and is now the M. I. B. code.

The occupational record is not yet coded but committees are working on it.

Report of Committee on Taxes was Made

President Emmet C. May of the Peoria Life reported for the committee on taxes. But few changes were made in the tax laws during the recent legislative season. The committee favors the move to free life insurance from inheritance tax. There is a growing public opinion to this end. The committee favors a revision of the federal income tax law on life insurance. H. F. B. Mead, chairman of the committee on blanks, called attention to the material changes in the gain and loss exhibit in the past. No changes are contemplated in the future, he added.

Convention Members at Board of Trade Lunch

That opportunities for legitimate business today are unsurpassed in history is the opinion expressed by J. W. O'Leary, president of the United States Chamber of Commerce at the luncheon given in his honor by the Louisville Board of Trade Thursday.

The Board of Trade had invited the members of the American Life Convention to be its guests and a large number attended. President George Graham, Secretary Blackburn, Charles G. Taylor of the Life Presidents' Association; A. S. Caldwell, superintendent of insurance of Tennessee, and Darwin Johnson, president of the Commonwealth Life of Louisville, were seated at the speakers' table.

Economic Conditions Good, According to Mr. O'Leary

Mr. O'Leary was introduced by Mr. Johnson. Mr. O'Leary pointed out that in addition to splendid economic conditions, as indicated by agricultural conditions, car loadings, building, automobile industry, banking and insurance, that political affairs are also in excellent condition, with no restrictions or destructive legislation threatening, with both parties vying with each in working out plans for tax reduction and economy, and with a constantly growing tendency towards cooperation between business and government.

This condition he ascribed largely to the fact that through the Chamber, business is now able to make thorough investigation of the facts on any question, to frame policies based on facts, and backed up by facts; that through the Chamber the machinery is provided for finding the best thought of the country on economic and business questions, to express that thought, and to follow it through persistently.

The result has been a feeling of confidence and a better attitude towards business on the part of legislatures, the public and investors.

Graham Dowdell, president of the Alamo Life of San Antonio, attended for the first time this year and left a most favorable impression. Mrs. Dowdell was one of the most charming women of the convention.



O. J. ARNOLD
President Northwestern National

was called to the platform and extended greetings.

Two Students of Business on Thursday's Program

There were two students of the business on the Thursday morning program. John M. Laird, actuary of the Connecticut General, spoke on "Importance and Necessity of Inspections." F. B. Mead, secretary and actuary of the Lincoln National, read an exhaustive paper on "Life Insurance Without Examination." Both dealt with intensely practical problems especially with the introduction of salary savings and non-medical plans. With the liberalization of underwriting practice there are injected into the field new factors that must be carefully evaluated. These two men are eminent in their field and their observations received special attention.

Commissioner Caldwell Was Present as Guest

A. S. Caldwell, Tennessee insurance commissioner, was present. Mr. Caldwell was vice-president and agency manager of the Volunteer State Life when the American Life Convention was organized. It was one of the eight constituent companies that organized the Convention. Later Mr. Caldwell became manager of the ordinary department of the Provident Life & Accident. Mr. Caldwell said that in his office he was endeavoring to raise the standard of life insurance in his state.

H. C. H. Beckett of the State Life reported for the committee on substandard insurance. This committee made



Policies and rates, reserves, and the payment of claims, are not all there is to life insurance.

Courtesy and co-operation, likewise, are not the whole of service. There is another factor.

Imagine two painters of equal skill. One desires to make money. The other desires to express an ideal on canvas. Which will paint the more valuable picture?

The Franklin has policies and renders service; but it also has an ideal of life insurance. The company has trebled its business in the last decade.

AMERICAN LIFE REINSURANCE CO.

HOME OFFICE—Dallas
BRANCH OFFICE—Chicago

Heartiest Greetings and Best Wishes are extended to all American Life Convention Companies. Remember both of our offices are fully equipped to give you quick service on Reinsurance.

Receipts for first 9 months of 1925 exceed all similar previous periods—thanks.

OFFICERS:

A. C. Bigger, President Morton Bigger, Secretary
Fred D. Strudell, Vice President Dr. C. W. Simpson, Medical Director
B. H. Zahner, Chicago Manager

Inter-Mountain Life Insurance Company

Salt Lake City, Utah

J. O. Carter,
President

Life insurance in force approximately	\$20,000,000.00
Accident insurance (Double Indemnity) in force	15,000,000.00
Total insurance in force	\$35,000,000.00
Interest and premium income this year estimated over	800,000.00

The policy of the Company is to keep one-half of the assets invested in Municipal Bonds, and the other one-half in First Mortgages on real estate.

All Life Insurance Company officials, when passing through Salt Lake City, Utah, are requested to visit the officers of the INTER-MOUNTAIN LIFE INSURANCE COMPANY.

Double Indemnity Decisions Define "Accidental Means"

BY JAMES V. OXTOBY
General Counsel Michigan Mutual Life

THE present life insurance policy usually includes a provision for a double insurance benefit in case of loss of life by accidental means. Whether the double indemnity contract is viewed (a) as an accident insurance, limited to the payment of the benefit only in case of death resulting from accident, or (b) as life insurance, operative in the event of death effected by accidental means, the use of the accidental death benefit provision by life companies has operated to bring them into the field of accident insurance. The life counsel must now familiarize himself with accident insurance, and the decisions affecting it.

While policy forms vary in many important particulars, they almost uniformly provide for the payment of the double indemnity if death results directly, and independently of all other causes from accidental means.

Decisions As to What Is Meant by Accidental

There are two lines of decisions on the question as to what is meant by "accidental means." One line of decisions holds that, where injury or death is the unusual, unexpected or unforeseen result of an act, even although such act was intentional, such injury or death is by "accidental means." The other line of decisions holds that if the injury or death was the unexpected result of an intentional act, it is not caused through "accidental means"; whereas, if it resulted from some mishap or slip, then it was caused by "accidental means."

As illustration: The death of an insured is directly due to a hemorrhage caused by his over-exertion in shaking his furnace. The act was intentional. The hemorrhage was unusual and unexpected. Under the first line of decisions, death was caused by "accidental means"; while under the second line of decisions, death was not so caused. Of course, if there was any mishap, slip or anything out of the ordinary in connection with the shaking of the furnace which caused the hemorrhage the death was undoubtedly caused by "accidental means".

One Case Cited to Support Both Decisions

The two cases which appear to be most frequently referred to and cited by the courts are the Barry case (U. S. Mutual Accident vs. Barry, 131, U. S. 100) and the Smith case (Smith vs. Travelers, 219 Massachusetts 147). The first case has been frequently cited in support of both of the propositions we are discussing.

In the Barry case, the policy insured against bodily injuries effected through external violent and accidental means. The insured, a physician, jumped off of a platform and alighted upon his feet so hard as to cause an injury to the duodenum resulting in his death. His two companions jumped from the same platform in perfect safety. The trial court submitted to the jury the question whether anything unforeseen, unexpected and involuntary occurred to change or affect the downward movement of the body as the insured expected it to be made, or causing him to strike the ground in a different way or position than anticipated.

Supreme Court Defines "Accidental Means"

The Supreme Court, in affirming a judgment for the company held that "accidental" was used in the policy in its ordinary popular sense, as meaning happening by chance; unexpectedly taking place; not according to the usual course of things; or not as expected.

The court held that if a result follows ordinary means, voluntarily employed, in a not unusual or unexpected way, it cannot be accidental; but that if, in the act which precedes the injury, something unforeseen, unexpected, unusual occurs which produces the injury, then the injury has resulted from accidental means.

If, in stating the rule, it is declared that the injury which resulted in the death must be caused by accidental application of external violence, then the rule clearly calls for evidence of an act in the nature of mishap, slip or mischance. If, however, in stating the rule, it is declared that if, in the act which precedes the injury, though an intentional act, something unusual, unforeseen and unexpected occurs, which produces the injury, it is accidental, we have a rule which permits the court or a jury to say whether what occurred was unusual, unforeseen and unexpected. In saying that something unusual, unforeseen, and unexpected must "occur," it is intended to distinguish that which "occurs" as a cause, from that which "results," and the declaration merely amounts to saying that an unusual, unforeseen and unexpected occurrence is an accident. It is sometimes hard to distinguish between an "occurrence" and a "result," and this, in my opinion, is one of the causes of the confusion found in the language of the decisions.

Definition of Result and of Occurrence

A man who goes to his basement to shake his furnace does not ordinarily sustain a rupture, or die from heart failure. Such a result is unexpected, unforeseen and unusual. A man who voluntarily undergoes an operation for hernia does not ordinarily die therefrom. The result is unexpected, unforeseen and unusual. A man who carries his baggage from the depot to a hotel in a high altitude does not ordinarily die from heart failure. Such result is unexpected, unforeseen and unusual.

But none of these results are caused by accidental means. Something unexpected, unforeseen and unusual must occur. Some mishap or slip must intervene, the proximate cause must be some occurrence or happening which constitutes an accident. A man jumps from a platform and lands on his feet so hard that he sustains internal injuries resulting in his death. If something unexpected, unforeseen and unusual happened during the act of jumping to cause the man to alight upon his feet in a manner different than expected, the injury is caused by accidental means.

Junior Association Elects New Officers

The Junior Association of the American Life Convention had a luncheon Wednesday with President J. W. Stevens, 2nd, Illinois Life, in charge. In the election of officers, Mr. Stevens was chosen chairman of the executive committee; Ted M. Simmons, Pan-American Life, vice-president; L. D. Cavanaugh, Federal Life, vice-president; Morton Bigger, American Life Reinsurance, secretary-treasurer. These four and J. J. Cadigan, Jr., New World Life, constitute the executive committee.

There are 28 companies and 36 officers represented in this new organization. It comprises the junior officials of the companies. It was decided to have one paper a month prepared by a member and circulated for the benefit of American Life Convention companies.

Best Investments for Life Companies

By ROBERT J. MERRILL

I AROUSED a preliminary interest by sending to the members a questionnaire. This was done in accordance with the best practice in these days.

In my questionnaire, I asked for information as to the holdings of our companies in all the classes of invested assets generally recognized as legitimate by the requirements of the state, with a single exception, namely real estate. As a general proposition, real estate is held only incidentally as an investment. Indeed its possession by a company is generally frowned upon and restricted to the ownership of home office buildings, (as to which some elasticity is frequently exercised in order to visualize the prosperity of the particular company) or property temporarily held as a result of foreclosure, a class of investment somewhat closely and always embarrassingly related to investments in real estate mortgages.

Preference is Seen for Farm Mortgages

In studying the interesting returns as to amounts invested in different classes of securities, it was hard to discover any definite tendencies or policies applying to companies of similar size or otherwise except that in the smaller companies there was a clearly expressed preference for real estate mortgages, in which were included a considerable proportion of city loans. As the size of the companies increased, a more clearly defined trend was discernible of a policy of more or less equalizing investments among bonds and mortgages, with many outstanding exceptions where the bulk of the investments of a specific company is almost

wholly confined to one class or another.

Farm mortgages, of course, head the list of mortgage investments, but many companies seem to specialize on city residence mortgages, while to others they are anathema.

Interest Rates Are Held More Attractive

The case for the farm mortgage is easy to make. Agriculture is probably entitled to the allowance of its claim to be the fundamental industry. Interest

remedies for difficulties which needed chiefly time and determination to solve. There is also a practical difficulty of great importance connected with the making of investments in farm mortgages, especially so in the case of small companies which have not yet secured well organized investment departments or field representatives on which they may rely for proper appraisals and reports. Such companies, investing outside their own immediate localities must largely rely on the integrity and good

Robert J. Merrill, vice-president United Life & Accident of Concord, N. H., spent some time as insurance commissioner of his state. In that work he achieved distinction. Mr. Merrill is the manager of his organization and is a successful administrative officer.

rates are usually attractive. The security is in plain sight, its value does not generally speaking, violently fluctuate, its appraisal is comparatively easy, and even the least experienced investor can without much difficulty, form a fair opinion of its worth. On the other hand may be set down its slow liquidation, depression in the industry which temporarily result in slow collections, increase in the non-ledger item of overdue interest, default, foreclosure, and a swelling of the company's real estate account.

We are just now slowly recuperating from such a depression, due to the slow return to normal conditions (if there are ever to be such again) of our farmers, and a dallying with empirical

judgment of the mortgage houses from whom they purchase the securities in question. While there are a considerable number of such houses, of reputation, standing and substance, nevertheless human nature, always weak, is unfortunately least reliable in connection with the selling of commodities of any kind by those who possess and desire to dispose of it to those who are in the market.

Western Farm Mortgages Situation at Present

A word with respect to the western farm mortgages situation at the present time may not be out of place. There can be no question but that conditions have been disturbing and acute throughout large areas. All companies invest-

ing in these sections have had much overdue interest, many defaults, a considerable number of foreclosures. Conditions all along the line, however, are rapidly improving. The experience of all companies is that delinquencies are being reduced, foreclosures are being redeemed and the episode is fast becoming past history, except as to certain details. There seems to be nothing in it to discourage a continuation of the policy of investment in such securities and on the whole the loss from the depression will be inconsequential if any.

Question as to Loan on City Property

Investment in urban or suburban mortgages rests on quite a different basis, and presents quite a different problem.

Large loans on business buildings would seem to be particularly open to objection, not only in the company's own city, but and particularly elsewhere. Such loans need expert attention, both at the time of making and afterward. Location, the trend of the city's business growth, the character of occupancy and its likelihood to be fairly permanent, suggest themselves as factors of importance in determining value and deciding as to the investment.

Loans on Residences in the City Field

With respect to residences, however, the city field presents another aspect. While all the factors as to location, growth of city, etc., mentioned above, apply to the city dwelling, they are not as hard to apply as in the case of business property. There is something

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particularly appealing in the proposition that life insurance companies should assist in the purchase of homes on a large scale. This can be done in no better way than by investing mortgages on such properties. The maturities of such mortgages should be early enough to forestall deterioration, by changing conditions in the city. They should preferably be amortized so that their payments may be in easy installments. They furnish an attractive and desirable class of securities. In making city loans, however, it must not be overlooked that the very large ratio of importance of improvements to bare land, constitutes a problem of its own. In the case of city loans the improvements may constitute the chief ingredient of value. It behooves one, therefore, to keep in close touch with his security, to know the reasonable cost of the buildings and to see to it that deterioration is kept to a low enough figure to be offset by the appreciation which may result from general increase in building costs and in the growth of the income producing capacity of the security.

Municipal Bonds Are the Favorites

Among bond investments, municipals easily lead the list as favorites, although the present outbreak in public utility financing is indicated by many apparently recent increases in bond accounts made up of such issues.

Happy the investment committee of a company which can afford to adopt as its investment policy the limitations of its bond holdings to municipal (including state and government) bonds. Its duties may thus be simplified to a mere weekly selection between equally meritorious issues. But such an ultra conservative policy is expensive, viewed from the standpoint of interest return, and hardly justified, attractive as it may appear. Most companies will carry a substantial municipal line in order to comply with state requirements to furnish a block of readily convertible assets for emergencies, or as mere window dressing, but their selection presents few difficulties as compared with the selection of other bonds.

In no other class of investments is such discrimination more needed than with respect to other than municipal bonds.

Railroad Bonds as a Form of Investment

Transportation and communication are outstanding instrumentalities of civilization. They are essential to business, to society, to life itself. They, therefore, furnish legitimate fields for investment of the first importance.

Unfortunately, the means by which these fundamental instrumentalities are exercised are in a constant flux, thus railroads displacing previous forms of overland transportation, are in danger of being obliged to surrender, at least, some part of their importance to their forms of conveyance. Subject to rigid and hampering control as to rates, service, compensation, required to meet the suddenly developed competition of automatic vehicles on the public highways which has robbed them of the bulk of their short haul business and profoundly affected their whole structure, they are nevertheless still in the ring and undoubtedly to stay indefinitely, already to better days from a period of much doubt and uncertainty.

While railroad securities suffered a temporary decline, they still are an element of great importance in our investment list and will continue to be so. They should not be disregarded or discarded.

Public Utility Bonds Now Counted Desirable

However, we are not restricted to them so far as public service securities are concerned. The phenomenon of the present day public utility development of course arrests the attention of all of us. It undoubtedly rests on a solid basis. Those responsible for it have

seen the possibilities of future development—the application of electricity to constantly increasing risks—for heat, for radios, for refrigeration—the extension of the field to small communities or farms—all this is being carried on before our eyes. We little appreciate the growth of the business as measured by the increase of its product. Super power, giant power, consolidations, mergers, holding companies, are terms that appeal to the imagination in the development of this great business.

Some Features That Need to Be Investigated

Notwithstanding the public utility offerings, if selected with proper discrimination, are safe, as to security, attractive as to yield and, important now, will increase in importance continuously.

It is however worth while to call attention to a few points which we should have in mind in making this class of investment. The nice sounding phrase "first and refunding" may lead astray the unwary. Careful examination of the prospectus should be made to ascertain on just how much and on how substantial and essential a part of the underlying property the mortgage securing the issue a real first lien. Again, in the pyramiding of organizations which seem to be necessary in carrying out consolidations, it is of course of prime importance that the underlying real property be carefully traced with some assurance if possible, that the plant securing the first mortgage may not be cast into the discard in the reorganization, thus leaving the security as a junior lien on other portions of the property. Also there is of course great likelihood that increases in earnings during the early period of a consolidation may be due to an abnormal saving of overhead which may not show a constant increase in the future. On the whole, investments in public utilities might well await the seasoning and shaking down which will eventually follow each new enterprise.

Resolution Passed on "Raiding" of Companies

One of the most important resolutions passed in executive session was proposed by Vice-President R. J. Merrill of the United Life & Accident, which declared that it is unethical and contrary to the views of the convention for any convention company or any official of such company to attempt to gain control of a member company without the consent of those charged with the responsibility of managing the company. Instances have recently arisen where a convention company endeavored to raid a member company and buy control with the officials of the raided company trying to ward off a piratical attack. It is the first time the American Life Convention has taken official cognizance of such practice. The text of the resolution is:

"Resolved, that organized efforts to secure stock control of a life insurance company without the knowledge, consent or approval of those responsible for its conduct, by interests or individuals connected with another company, or attempts to exploit a life insurance company by manipulation of its stock, are improper, unethical, prejudicial to the business and that such methods are condemned by the American Life Convention."

Van Laningham on Deck

O. L. Van Laningham of Kansas City, a spectacular figure in life insurance, many years ago, promoter of the old Great Western Life of Kansas City that later reinsured, who later was conspicuously identified with Chicago insurance promotions that blew up, was seen in the hotel lobby and mingled with some of the old timers that he knew. He entered the real estate field and has made a fortune.

Checks That Have Been Placed Upon Administrative Discretion

By C. PETRUS PETERSON

THE relation between administration of law, as exercised by executive agencies of government, on the one hand, and the interpretation and application of law as exercised by judicial agencies, on the other, has been the basis of constitutional struggles through

been held to include a guarantee of protection of equal laws. That is to say, in order for a mandate to reach a plane of law it must apply equally upon all citizens similarly situated. This constitutes the second limitation and may be stated as follows:

In the deluge of laws and regulations affecting insurance and all phases of American life, the principles stated by C. Petrus Peterson in his paper before the Legal Section, are reassuring. Judge Peterson is general counsel of the Bankers Life of Lincoln. His topic was "Limitations Upon Administrative Discretion" and his examination of the law very clearly shows the limitations on arbitrary power.

several centuries. In the contest for recognition of individual liberty and the rights of private property, the strengthening of the judicial department has been deemed necessary.

This bulwark against autocratic power, namely, an independent judiciary with power to protect the individual against arbitrary action by administrative agencies, was not fully accepted when our institutions were founded, as a necessary limitation upon the power of a temporary majority, but through the judicial sagacity of Chief Justice Marshall our institutions came to regard the courts as the final arbiters between all agencies of government and the individual citizen. The stability of this conclusion is none too secure even yet.

Lawyers Find Boards Vested With Discretion

What impresses the lawyer most, however, in this departmental practice is that, in addition to hearings conducted to develop the facts and arguments as to the law applicable, it frequently becomes necessary to urge upon the administrative agency not only what the law is but also what it ought to be, for he finds that the department, commission, board, bureau, division, or unit, as the case may be, has been vested with so-called "administrative discretion." This increasing tendency of legislatures to enact a mere skeleton, leaving the details actually governing human conduct to be fixed by administrative regulation, and the tendency of common speech to refer to administrative decisions as law, is of real significance. If an executive officer becomes lawmaker, prosecuting attorney, and judge all at the same time, some of us have difficulty in recognizing the agency as American.

Essential Attribute of Free Government

The protection of individuals from the exercise of unrestricted power is an essential attribute of a free government.

Administrative power must be a defined and regulated power. Unless it is defined and regulated, government ceases to be a government of law and becomes a government of men.

One of the proud boasts of Americans has been, and is, that "our government is a government of law and not a government of men." By this we mean that a thoughtful citizen may at all times, if properly informed, know what his rights are under the law, and that his rights may not be made to depend upon the arbitrary decision of any governmental agency. Accordingly the first limitation may be stated as follows:

"A statute which vests arbitrary discretion, with respect to a business, lawful in itself, in administrative officials without prescribing a uniform rule of action to which all persons similarly situated may knowingly conform and from which a court can determine whether a given administrative decision is or is not justified, is unconstitutional and void." (18 decisions were cited by Mr. Peterson.)

The constitutional guarantee of equal protection of the law has very properly

formity, whether statutes have been upheld or condemned. A more difficult task is presented to the courts when they come to determine the adequacy of statutory standards. It is not an unusual thing to find in statutes a nominal standard, which lacks that degree of definiteness which will suffice to form a division line between regulated authority and uncontrolled discretion.

If we are to undertake to state the third limitation upon legislative authority we would state it about as follows: "Standards prescribed must be sufficiently definite to enable a court of justice to determine in a given case whether administrative action is warranted or unwarranted." (Decisions cited.)

Supreme Court Describes "Essence of Slavery"

It is at this point that the courts appear to be vacillating. That absolute discretion is at variance with our fundamental law was well stated by the United States Supreme Court in *Yick Wo vs. Hopkins*. The court in that case pointed out the lack of definition in the ordinance which was the subject of the suit, and the apparent power thereunder to discriminate between citizens equally situated, and then said:

"But the fundamental rights of life, liberty, and the pursuit of happiness, considered as individual possessions, are

secured by those maxims of constitutional law which are the monuments showing the victorious progress of the race in securing to men the blessings of civilization under the reign of just and equal laws, so that, in the famous language of the Massachusetts bill of rights, the government of the commonwealth 'may be a government of laws and not of men.' For, the very idea that one man may be compelled to hold his life, or the means of living, or any material right essential to the enjoyment of life, at the mere will of another, seems to be intolerable in any country where freedom prevails, as being the essence of slavery itself."

Recognition of Rule Making Power

There is a tendency in judicial decision, however, to enlarge the scope of administrative discretion. The separation of powers into three departments of government has its limitations. They cannot be kept wholly and entirely separate. The complexity of society in our time makes detailed regulation by legislative enactment very often difficult and sometimes impossible. There is emerging out of the new condition a recognition of what might be termed the "rule making power" in administrative agencies. There is a fundamental difference between permitting an administrative

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Policy Reserves to date (over)..... 3,425,000
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agency to decide a given case pursuant to their conclusions on the case in hand and permitting an administrative agency to announce rules and regulations promulgated pursuant to legislative authority which, when promulgated, possess the requirements of definiteness so that they apply to all persons similarly situated and furnish standards to which an individual citizen may knowingly conform.

Requirements for Validity of Rules

Recognition of this rule-making power may be found in such cases as *Douglas vs. Novle*, 67 Law Ed. 590. A statute under consideration vested in an administrative agency the power to license persons to practice dentistry in the state of Washington. The statute was construed by the state court to vest power in the administrative agency to prescribe rules and to administer the rules after the same had been promulgated, and the decision of the state court sustaining the validity of this rule-making power was confirmed by the Supreme Court of the United States. To sustain such legislation it would seem necessary, first, that the rule-making power be vested by legislative enactment, either in express terms or by necessary implication, and, second, that the rules promulgated be definite and of such character that if they had been embodied in the original legislative act, they would have been sustained as valid legislation against attack under the due process clause, as well as other constitutional limitations. In other words, the legislature cannot delegate, under a rule-making power, authority to establish a rule of conduct on a basis different from one which could be properly established by the legislature itself.

The fourth limitation then might be stated as follows:

"Where a statute vests power in administrative officers to prescribe standards, the standards must be prescribed by general rule applicable to all similarly situated and sufficiently definite to enable all persons similarly situated to knowingly conform." (Decisions cited.)

Question of Finality of Administrative Decision

The power to make an administrative decision final, without allowing an appeal to the courts, presents another field of inquiry which I do not intend to discuss but which may well be the subject of another paper by someone else.

The task of challenging administrative authority is never pleasant. Fortunately in our special labors as insurance counsel it is seldom necessary. When, however, we take into account the struggles of the past to establish the constitutional barriers against arbitrary power in the form of unlimited administrative discretion, none of us will shirk the task of sustaining the ancient limitations and thereby preserve inviolate our heritage of orderly government.

HOW MUCH INSURANCE SHOULD COMPANY WRITE

(CONTINUED FROM PAGE 10)

should write, bearing in mind about what surplus the company would like to show at the end of the year.

It cannot be too strongly emphasized that competent actuarial advice must be supplemented by a medical director who is not only a good physician, but is of sound judgment and willing to study the statistics of life insurance underwriting. The whole point is that when a company is small, if the officers are content to draw modest salaries, and every man earning the money paid him, if the company's condition is kept before the executives month by month, the matter of how much business may be safely determined, with the mortality savings taking care of the loss in loading and with the interest and investment earnings left to increase the company's surplus and strengthen its financial condition, the danger point in the acquisition of new business can be readily discerned.

If the acquisition costs are suf-

ficiently low, even a smaller company can write a comparatively large volume. With a standard commission rate, a standard salaried scale, and standard overhead expense and with investment returns and mortality savings assumed, and with a method of valuation that allows for the inevitable heavy first year cost, a very intelligent conclusion as to how much business the young company should write can easily be arrived at. After a company passes the fifty or hundred million mark, while the same factors as outlined enter into the calculation, the difficulties surrounding a determination of how much business to write are not so great.

Seems to Be No Limit to Size of Company

The last phase of this question seems to be how large will some of our companies eventually be? There was a time when it was seriously agitated that a law should be passed that when a company has \$1,000,000,000 of insurance



EMMET C. MAY
President Peoria Life

in force, it should only be permitted to write sufficient new business each year to make up its cancellations, the theory being that if the company has as much as \$1,000,000,000 of insurance in force, it would become unwieldy and could not be efficiently handled.

Today there seems to be no assignable upper limit to the size of any company. As a company grows in size and the work expands at the home office, it is possible to set up a new home office in another part of the country. This would mean having practically two life insurance companies with the same set of higher officers and the same general policies. If some of the giant companies now in existence had to be handled with the methods and office machinery of 25 years ago, it would be almost an impossibility.

But with the advance methods which are the result of experience and study both as to personnel and equipment, the business of a large company can be handled more efficiently than the business of the largest company of 25 years ago. There seems to be no apparent reason why it would not be possible for life insurance companies to develop to any size depending, of course, on the number of home office units which the management desires to establish.

Possibly the fear of the tremendously large company was due to the fact that it was thought the policyholder's interest could not be sufficiently safeguarded by the very large life companies. As a matter of fact, the larger companies seem to be able to effect many economies and thereby grant many concessions to policyholders which smaller companies have difficulty in doing. Size seems to be no detriment to service.

In this connection, it might be said that it is a credit to the life insurance business as an institution that service seems to have been its guiding star.

Report of Committee Presents Companies' Lapse Experience

THE committee on lapses, consisting of H. L. Seay, Southland Life, chairman; E. E. Rhodes, Mutual Benefit; F. P. Manly, Indianapolis Life; G. S. Nollen, Bankers of Iowa; J. A. McVoy, Central States, and O. J. Arnold, Illinois Life, presented its report. It consisted of a number of tables of great value. The report was gotten out in printed form. The report is preliminary to a further study. In its prefatory comment the committee said:

The companies participating are large and small, old and young, and located throughout the country. The investigation covers policies issued from 1909 to 1923 inclusive, and policies are traced to the anniversary date of issue in 1924. That no undue weight might be given the experience of the older and larger companies, each company furnished the same amount of data for each calendar year, namely, the data on 300 policies issued uniformly throughout the year on standard lives.

Over 270,000 Policies in the Experience

Younger companies, starting business since Jan. 1, 1909, furnished data for the complete calendar years of their existence. In a few instances in the case of younger companies the data furnished for their earlier years was less than 300 policies. In all, the history of 270,543 policies for \$529,382,000 of insurance was traced. The aggregate exposure during the fifteen years under investigation was 1,330,411 for policies and \$2,499,100,600 for insurance. Certain companies (16 in all) that at first indicated they would participate and contribute their data, found later, and after the investigation was well along, that it would be impossible for them to do so. The experience

herewith is based on the data furnished by 77 American Life Convention companies.

How the Collected Data Has Been Divided

In this investigation the experience has been drawn off for three different periods of years of issue, 1909 to 1914, 1915 to 1920, and 1921 to 1923, all inclusive. The data have also been further subdivided:

- (1) According to urban and rural
- (2) According to regions
- (3) According to plan of insurance
- (4) Mode of payment of premiums
- (5) Compensation of agent
- (6) Amounts of insurance
- (7) Age at issue.

However, there has been no combination of these subdivisions.

The results of the investigation will be set forth in a series of tables, with comments thereon. There will be 34 of these tables in all; 27 of them appear herewith—the last, however, not complete.

Experience Will Be Helpful to All the Companies

It is hoped that these tables when completed will be of more than an academic interest. It is not claimed for them that they represent the experience of any company, or that they represent the ideal. They represent a fair sample of the average or mean experience of the companies participating. They afford a measure or yard stick with which the individual company may compare its own experience. It is the hope of the committee that its work will prove an incentive to companies to study their own experience, in the matter of lapses, in the light of the experience shown by

these tables. This, in fact, was the incentive that suggested the investigation. But it is to be hoped that none will rest content with an experience corresponding with the mean or average experience indicated by these tables.

Tables That Accompany the Lapsation Report

(Those indicated by an asterisk have not yet been completed; the others appear herewith.)

Persistency table.

A—Entire experience, all periods combined.

B—Entire experience, by periods.

C-1—Urban.

C-2—Rural.

D-1—East.

D-2—South.

D-3—Mid-West.

D-4—West.

E-1—Ordinary life.

E-2—Limited payment life.

E-3—Endowment.

E-4—Term.

F-1—Annual premiums.

F-2—Semi-annual premiums.

F-3—Quarterly premiums.

F-4—Monthly premiums.

G-1—Compensation of agent: No salary; commission 75 percent or over.

G-2—Compensation of agent: No salary; commission under 75 percent, but not under 65 percent.

G-3—Compensation of agent: No salary; commission under 65 percent, but not under 55 percent.

G-4—Compensation of agent: No salary; commission under 55 percent.

G-5—Compensation of agent: Salary with commission 75 percent or over.

G-6—Compensation of agent: Salary with commission under 75 percent, but not under 65 percent.

G-7—Compensation of agent: Salary with commission under 65 percent, but not under 55 percent.

G-8—Compensation of agent: Salary with commission under 55 percent.

G-9—Compensation of agent: Salary without commission.

*H-1—Amounts under \$2,000.

*H-2—Amounts under \$10,000, but not under \$2,000.

*H-3—Amounts not under \$10,000.

*J-1—Ages to 29, inclusive.

*J-2—Ages 30 to 39, inclusive.

*J-3—Ages 40 to 49, inclusive.

*J-4—Ages 50 and over.

Comparative table of persistency (not yet complete).

Comment Is Made on the Data Secured

By reference to the comparative tables of persistency it will be observed that in Table B, classifying the entire experi-



H. E. SHARRER
President Northern States Life

ence in the three period groups—issues of 1909-1914, 1915 to 1920 and 1921 to 1923—the issues of the middle period, 1915 to 1920, show a greater persistency than the issues of the preceding and following periods. This is borne out, too, almost without exception, in the sub-classifications, urban and rural, regional, policy plans, etc., etc. This is of interest when it is recalled that during that period of expansion of the life insur-

AMERICAN CENTRAL LIFE

INSURANCE COMPANY
INDIANAPOLIS

OLD LINE LEGAL RESERVE
ESTABLISHED 1893

HERBERT M. WOOLLEN, President

A Policy You Can Sell

A \$5000 Policy in *The United Life and Accident Insurance Company*

PAYS

\$5,000, the face of the policy, in case of death from any cause.

\$10,000, or DOUBLE the face of the policy, in case of death from any ACCIDENT.

\$15,000, or THREE TIMES the face of the policy, in case of death from certain SPECIFIED ACCIDENTS.

\$50 PER WEEK, direct to the Insured, in case of total disability as a result of accidental injury, for a period not to exceed 52 weeks; and after that \$25 PER WEEK, throughout the period of disability.

*A Sound, Conservative
New England Company*

UNITED LIFE AND ACCIDENT INSURANCE COMPANY

Home Office, United Life Bldg. - - Concord, N. H.

BUILDING

THE great Southwest is Building territory. Men are achieving success in farming, in industry and in the professions—cities are growing rapidly—an Empire of the Southwest is being built.

In this virile country the Mid-Continent Life is building a great institution of Service. It is serving a splendid territory and both the company and its agents are growing and prospering.

In the States of Oklahoma, Arkansas, and Texas, there are tremendous opportunities and possibilities. The Mid-Continent operating in these states while serving the present is building for the future. In order to adequately take care of its increasing business a spacious new Home Office building has been erected.

If you intend to render Life insurance Service in the Southwest and believe in growing with a company constantly building for the future, you will come with the Mid-Continent, if not already engaged with another company.

**MID-CONTINENT LIFE
INSURANCE COMPANY**
Oklahoma City, Oklahoma

ance business, the suggestion was quite general and given much credence, that the large business then being written was of questionable value and that a heavy lapse would be experienced on it.

Interesting to note also, in a study of subdivisions C-1 and C-2 of this table, that city business shows a uniformly greater persistency than the country business.

East Shows the Best Record in Persistency

In the regional subdivisions, east, south, mid-west and west, the business written in the east shows approximately 25 percent greater persistency than the business of the mid-west, which in turn shows more favorably than the business of the south and west. The south, however, is showing a greater relative improvement in persistency than either the east, mid-west or west.

Referring to classifications by plans, it is noted that while in the early years the endowment forms show a markedly greater persistency than limited payment forms, the two are practically on a parity after the expiration of 15 years. In order of persistency, the experience by plans shows endowment forms first, then limited payment, next ordinary life and term last. The term business shows an exceedingly low persistency; at the end of the ninth year being considerably below one-half the rate of persistency on other forms. Expiries are not included in the lapses, and consequently the rate of lapse here shown on term business is not affected by expiries.

Semi-Annual Policies Show Best Record

It is of interest to note that the business on a semi-annual basis of premium payment shows a uniformly higher persistency than annual business; also that in recent years there has been a very marked improvement in the persistency rate of business on the monthly premium basis, and it is particularly significant that during the last two periods—1915 to 1920 and 1921 to 1923, monthly premium business shows a considerably higher persistency than annual, semi-annual or quarterly business. In this connection, however, it is to be noted there is a considerable lapse on monthly business during the first six months after issue. It is very largely the high lapse during the first six months on fractional premium business that is responsible for the high lapse shown in the entire experience (Table A) during the first half year.

As doubtless was anticipated, the classification by compensation shows a striking relation between the compensation and lapse rate; the extent to which the compensation apparently affects the lapse rate may not have been fully realized. A study of the tables in this connection is very illuminating. However, it is to be noted that, after the end of the second year, the effect of the compensation on the rate of lapse is negligible.

NEW CONFERENCE HEAD IS A STRONG LEADER

(CONTINUED FROM PAGE 3)

Arnold and H. M. Woollen were elected as members of executive committee. The vote was Woollen 75, Arnold 66, Robbins 27, Gold 14.

The committee on place of next meeting decided on Detroit. The date will be fixed by the executive committee and Secretary Blackburn at the executive committee session. Mr. Blackburn made the statement that while he preferred to be relieved by the time of the next annual meeting, he would agree to stay until the 1927 convention if necessary. The executive committee can therefore take time in selecting his successor.

A change was made in the by-laws to enable Canadian companies, whether operating in the United States or not, to become members of the convention.

Ted M. Simmons of the Pan-American Life told about the work of the Junior Association, which held its first annual meeting this year. The report of

the agency committee was prepared by E. C. Milair of the George Washington Life and read by T. W. Blackburn. E. O. Burget of the Peoples Life of Indiana read the report of the finance committee. W. T. Grant of the Business Men's Assurance reported for the resolutions committee. He said 23 officials of companies died during the year. Of this number six were presidents.

Madden Tells Work of U. S. Chamber of Commerce

James L. Madden, manager of the insurance department of the United States Chamber of Commerce, spoke Friday morning. He said business men are vitally interested in insurance. The investment of reserves is a subject in which all policyholders should be interested. Business as a whole is recommending insurance. Organized business desires to leave the care and conduct of insurance to the companies themselves. Appreciating what insurance is doing and the service it is rendering, the National Chamber will throw its weight against unjust political attacks and hostile legislation. Mr. Madden said that policyholders individually can do but little, but collectively they constitute a great power. Mr. Madden called attention to the work that is being done in promulgating health conservation information through the local chambers. He urged insurance men to see to it that all local chambers have insurance committees. The chamber, he said, simply desires to interest the public in the broader aspects of insurance.

R. J. Merrill of Concord, N. H., vice-president of the United Life & Accident and former insurance commissioner of his state, spoke Friday on the subject of "Investments." It fitted in well with the action of the organization in establishing a standing committee on investments.

W. T. Grant, president of the Business Men's Assurance and chairman of the executive committee of the Health & Accident Underwriters Conference, brought a message of greeting from the conference. He said that insurance organizations are becoming more closely associated and cultivating friendly relationship. There are 17 members of the conference that are members of the American Life Convention. The conference, he said, is working on a table that will correspond to the mortality tables in life insurance. This disability statistical experience will be of real value. It is being compiled by occupation and age.

PRESIDENT'S ADDRESS IS FORECAST OF PROGRESS

(CONTINUED FROM PAGE 6)

state of affairs? Undoubtedly public confidence in the life insurance business is built on a solid foundation.

Every once in a while we are roundly scolded because, with rare exceptions, the institution of life insurance does not advertise in the ordinary understanding of that term. We excuse ourselves on the grounds that while the needs of life insurance are generally accepted, people of this generation do not buy life insurance except as it is sold to them and no advertising expert has yet been able to find the formula that will bring the people into the office to buy.

It may be that there are difficulties in the way. Many companies feel that the cost of securing new business is already absorbing every dollar available for first year expenses, that present campaign plans bring results approximating the volume of business expected and which can be taken care of without undue financial strain. Moreover, there are no general mediums of publication that can be used by the individual companies which would not to a very great extent reach fields outside of the territory in which the company is active, thus involving a large expenditure which cannot because of these restrictions bring compensating results.

Cooperative advertising campaigns have been carried out in the past with some measure of success, but none that I know of represents any continuous or long sustained effort to keep the story

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of life insurance before the public with
ever renewing and refreshing interest.

What is everybody's business sooner
or later becomes nobody's, enthusiasm
slackens, somebody objects that others
than the subscribers to the plan are
reaping the benefits or that the cost is
not equitably apportioned according to
the benefits derived. Differences of
opinion arise as to which are the best
mediums for advertising. Nobody has
exact information on this point. Direct
results cannot be traced back to the
advertisements. Indifference and dis-
couragement creep in and soon the plan
is wholly abandoned.

The American Life Convention is big
enough, its membership is national in
its ramifications, its influence broad
enough, its resources ample so that it
could launch a campaign of sufficient
magnitude that the story of life insur-
ance could be told in such a way that
the interest of the people would be
quickened to a better realization of their
needs. They could be taught some-
thing more than that it is a good thing.
The varied services that life insurance
can be made to serve could be broadcast
throughout the length and breadth of
the land so that every company and
every agent alive to the opportunities
could reap the benefit.

Urges More Attention to Investments

Although the Convention has on
numerous occasions discussed invest-
ment problems and has had many able
papers presented dealing with this most
important phase of insurance, it seems
strange that there should be no com-
mittee assigned especially to deal with
this department. The Convention could
render valuable service, acting as a cen-
tral bureau for the exchange among
members of information and the actual
local conditions prevailing on which
none can be better posted than our local
companies.

These things would involve no new
declaration of purpose. They would re-
quire a broadening of our vision beyond
the limits of our own immediate con-
cerns, but that would surely react to
our advantage as well as to the public
interests we would thus serve.

The executive committee took an
important step forward during the past
year by becoming a member of the
Chamber of Commerce of the United
States. Through this membership the
American Life Convention assists in the
formulation of the principles advocated
by the chamber as well as the selection
of the directors responsible for the con-
duct of its affairs. The chamber has
about 1,400 organization members lo-
cated throughout the United States with
an underlying membership of approxi-
mately 800,000 corporations, firms and
individuals. The chamber is one of the
largest policyholders' organizations in
the world. Furthermore, these policy-
holders have the advantage of being
thus organized for collective action.

Should Cooperate With Chambers Fully

The National Chamber has an insur-
ance department concerned solely with
insurance problems. This department
of the chamber has naturally developed
its program of service to the end that
business generally shall have a better
understanding of the service of insurance,
the contributions it is making to our
industrial, commercial and community
life. Being thus informed the business
men of the country can be relied on col-
lectively through their organizations and
individually to exercise their influence
always in favor of what is beneficial and
against what is harmful to the institution
of life insurance.

The insurance department of the
chamber urges its member organizations
to create well-balanced committees to
deal with insurance alone, consisting of
leading representative business men and
outstanding insurance men. From time
to time the department sends to its or-
ganization members carefully prepared
material for distribution among the
members relating to insurance in all its

phases. A notable example of the effec-
tiveness of this is the pamphlet dealing
with taxation, an exceptionally fine con-
tribution on the subject. The Conven-
tion used this pamphlet for educational
purposes to good advantage last spring
in Oregon and West Virginia. It has
been freely quoted by insurance com-
missioners.

Briefly the insurance department of
the National Chamber of Commerce is
just one more instrument working for
the good of life insurance and it is able
to do this in a particularly effective
way because of the contact it is able
to maintain with the business men of
the nation.

Discusses Proposed Mortality Table Change

At the recent annual meeting of the
National Convention of Insurance Com-
missioners at San Antonio a paper was
presented by William M. Corcoran,
actuary of the Connecticut department,
in which he discussed the question,
"Should the American Men Mortality
Table Be Made Permissive as a Legal
Valuation Standard?" Acting on the
suggestion made by Mr. Corcoran in
this matter a committee was appointed
to investigate the desirability of making
the proposed change in the valuation

basis and if such change is found to be
desirable, to determine the modifications
necessary in existing statutory require-
ments to put the same into effect.

This subject is one of very great con-
cern to all legal reserve life insurance
companies. It must be approached in a
dispassionate manner, one free from
individual company selfishness and con-
cerned only with the broad general in-
terests of the insuring public and the
life insurance companies which seek to
serve those interests.

The future of this Convention is bound
up in the future of its individual mem-
bers. Continuous growth is inevitable.
Greater and still greater will be its op-
portunities for service. The institution
of life insurance contemplates no end.
Every day protecting contracts are
made through it, the fulfillment of which
will reach far beyond the life span of
those today responsible for them, and
so this Convention is destined to go on
as long as human effort and striving
shall prevail.

Principles, not individuals, are our
concern. Differences of opinion are in-
evitable in an organization such as this.
Our Convention has demonstrated that
men can differ greatly in their views in
a purely impersonal way without losing
their regard for one another. Majorities



FRANK P. MANLY
President Indianapolis Life

must prevail but the opinions of the
minority need not be and are not dis-
regarded.

UNEXCELLED for Sound Life Insurance



Home Offices, Midland Life Insurance Co.

THE present year is the Midland's
biggest, so far. In the first nine
months of 1925 the increase exceeds four
million dollars, as compared with all of
1925 during which the increase was one
million. The volume of business written
has increased from \$5,000,000 in all of
1924 to \$8,000,000 in the first nine months
of 1925. Production increased from ap-
proximately one-half million dollars a
month in 1924 to nearly one million dol-
lars a month in 1925.

Insurance in force today exceeds \$30,-
000,000. Assets are \$4,000,000. Capital
and surplus \$300,000.

The territory in which the Midland
Life does business is Missouri, Kansas,
Oklahoma, Texas and Colorado,—re-
garded as one of the choicest fields in
the world for the life insurance business.

As is well known, the Midland Life
issues the most liberal policy contract
consistent with sound life insurance. Its
agency contracts are attractive and ex-
ceptionally desirable. The management
of the company is thoroughly experi-
enced. Inquiries regarding available ter-
ritory are invited and will receive careful
attention.

Midland Life Insurance Company

DANIEL BOONE, President
KANSAS CITY, MISSOURI



Speed in service has brought together the policyholder, the agent and the Home Office of The Lincoln National Life Insurance Company.

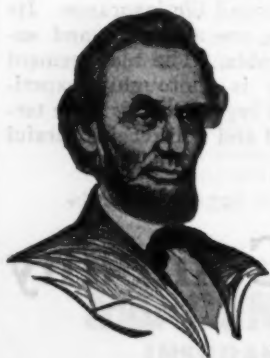
Mail is handled, business records are balanced, communication between all departments is dispatched with the speed of electricity.

The usual battery of Addressographs is amplified by a many function machine that turns out premium notices and invoices at a high rate per minute.

There is a Ditto machine for duplicating premium cards and all similar data which saves the work of many clerks and gets results much more quickly.

This "speed in service" policy offers a distinct advantage to all who

LINK UP WITH THE LINCOLN



The Lincoln National Life Insurance Company

"Its Name Indicates Its Character"

Lincoln Life Building Fort Wayne, Ind.

More Than \$375,000,000 in Force

Legal Section Members Discuss Bill of Rights

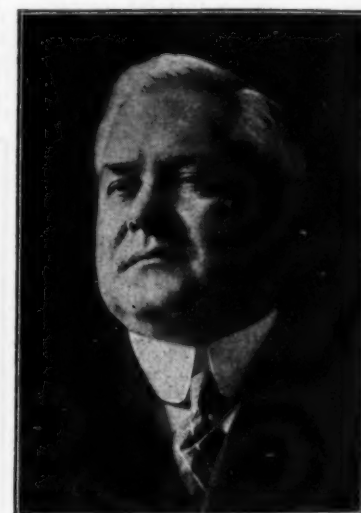
E. M. Grossman, general counsel of the Central States Life, presided at the round table session of the Legal Section Monday evening when the bill of rights as embodied in the first 10 amendments of the federal constitution received attention.

He said the tendency of the day is to ridicule legislatures. People are bold to say they would vote to keep these bodies silent for many years. There seems to be an attack on democracy.

Ten Speakers Took Up the Amendments

There were speakers assigned to discuss the ten amendments. Col. D. W. Simms of the Lafayette Life took the first amendment, which guarantees freedom of speech, religion and press.

J. V. Oxtoby of the Michigan Mutual



GEORGE KUHS
President Bankers of Iowa

took the second amendment referring to the right of the people to bear and keep arms in defense of their rights.

C. P. Peterson of the Bankers Life of Lincoln was assigned the third amendment concerning the quartering of troops in time of peace in private houses.

The search and seizure act, the fourth amendment, was discussed by Judge W. H. Hinebaugh, Central Life of Chicago.

Right of Trial Is Guaranteed

F. W. McAllister, Kansas City Life, took the fifth amendment. It gives the people the right of having the safeguard of the law placed about them. No right can be abridged without due process of law.

C. F. Coffin, State Life, treated the sixth amendment, which guarantees a person the right of trial when accused of crime.

Judge N. H. Aldrich, American Life, was assigned the seventh amendment. W. Calvin Wells, Lamar Life, had the eighth and J. C. Jones, American National, the ninth and tenth.

THE NATIONAL UNDERWRITER

Published Every Thursday by the
NATIONAL UNDERWRITER COM-
PANY, Chicago, Cincinnati and New York.
C. M. CARTWRIGHT, Managing Editor.
PUBLICATION OFFICE, Insurance Ex-
change, Chicago.
Entered as Second-Class Matter, February
24, 1900, at Post Office at Chicago, Illinois.
Under Act of March 3, 1879.

Subscription Price \$4.00 a year; in Canada \$5.00 a year; Single Copies 20 Cents.

WHAT DO YOU SEEK FROM THE COMPANY?

Is it a home office co-operation that aids you to successfully reach big production?

Is it close personal friendly contact?

Is it a variety of policies that help you to meet the individual requirements of each prospect?

Is it a company that is strong financially, capably managed, progressive and growing rapidly?

The Guaranty Life combines and meets all these requirements.

GUARANTY LIFE INSURANCE COMPANY

DAVENPORT, IOWA

L. J. Dougherty, Secretary and Gen'l Mgr.

Michigan

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Iowa

::

Kentucky

Ohio :: Indiana :: Illinois

The LAFAYETTE LIFE INSURANCE COMPANY

LaFayette - - Indiana



Legal Reserve Mutual Ideal

Ground Floor Opportunities in Illinois and Ohio

W. W. LANE,
Secretary

A. E. WERKHOFF,
President
W. R. SMITH,
Supt. Agencies

Nebraska

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Missouri

::

Kansas

SUCCESSFUL SALESMEN APPRECIATE SERVICE

THE CLEVELAND LIFE helps its men DEVELOP NEW BUSINESS

and

CONSERVE OLD BUSINESS

by

1. Maintaining financial strength assuring absolute security.
2. Preparing booklets, circulars and letters to help sell new prospects.
3. Providing policies to fit every insurance need.
4. Conducting campaigns to stimulate production.
5. Maintaining a friendly service to policyholders.
6. Providing educational facilities to agents to enable them to keep abreast of the times and work effectively.

We can offer excellent general agency contracts to good men with sales and organization ability.

For information write

THE CLEVELAND LIFE INSURANCE COMPANY

Cleveland

Ohio

THE GLOBE MUTUAL LIFE INSURANCE COMPANY OF CHICAGO, ILL.

The Globe is the Oldest Life Insurance Institution of the State of Illinois Transacting Industrial Insurance

Premiums payable yearly, half yearly, quarterly, monthly or weekly

"CLAIMS PAID ON SIGHT"

The highest grade of service to policyholders and representatives.

The latest is

CLAIMS PAID BY TELEGRAPH

To Which Have Been Added CLAIMS ADJUSTED BY RADIO. It is the last word in SERVICE

T. F. BARRY, Founder

The Globe weekly news will be mailed you every week by request —without charge

MISSOURI

Just Opened by

Rockford Life Insurance Co. ROCKFORD, ILLINOIS

For direct contract with Company, write to

FRANCIS L. BROWN
Secretary and Manager
ROCKFORD, ILLINOIS

Gem City Life Agents value their Company for its constant interest in their welfare. The good report of the company is a valuable asset that agents have learned to appreciate. It is a builder of confidence and good will among all policyholders.

Assets Over a Million Dollars

Licensed in Eight States and District of Columbia

Gem City Life Insurance Company Dayton, Ohio

For Agency Contract Write I. A. Morrisett, Vice-President and Gen'l Mgr.
LIFE ACCIDENT HEALTH GROUP INSURANCE

Eureka-Maryland Assurance Co. OF BALTIMORE, MD.

Incorporated Under the Laws of Maryland, 1882

WE ISSUE

Standard Ordinary and Industrial Policies

J. C. MAGINNIS, President

J. BARRY MAHOOL, Vice-President

J. N. WARFIELD, Jr., Secretary-Treasurer

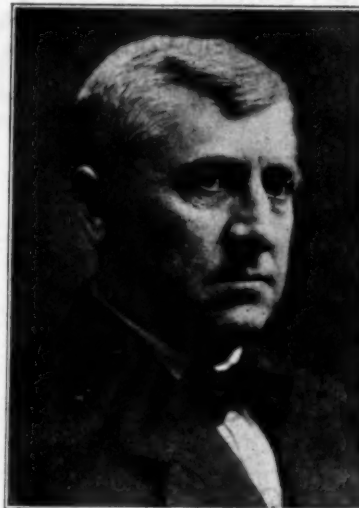
Dr. JH. IGLEHART, Medical Director

Wednesday Banquet Was Distinct Social Success

The banquet Wednesday evening was a spirited affair. The entertainment was provided by the Inter-Southern Life and Commonwealth Life. Dancing followed the program and this feature was particularly enjoyable. President George Graham opened the exercises. Vice-President I. Smith Homans of the Commonwealth made a talk and then followed the vaudeville bill. E. M. Grossman, general counsel of the Central States Life, led the congregational singing.

Louisville Companies Are Most Hospitable

The Inter-Southern Life and Commonwealth Life of Louisville both extended many courtesies. The ladies of the officials of these companies looked after the visiting women in a sumptuous way. The ladies were taken on an automobile ride Thursday and that evening were taken to see "No, No, Nanette." President D. P. Johnson and Secretary I. Smith Homans of the Commonwealth, President J. R. Duffin and W. W. Moore, vice-president of the Inter-Southern, were alert to see to it that hospitality was extended.



C. W. BRANDON
President Columbus Mutual Life



GUILFORD A. DEITCH
General Counsel Reserve Loan Life

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